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Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

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RE: ERR0097 - Discussion paper: The pricing review: Electricity pricing for a consumer-driven future

About Shell Energy and Powershop in Australia

Shell Energy is an energy solutions business and renewables and battery energy storage system developer in Australia. As the one of the largest electricity providers to commercial and industrial businesses in Australia[1], Shell Energy offers integrated solutions and market-leading[2] customer satisfaction, innovation across a portfolio of electricity, gas, environmental products and energy productivity. Our residential energy retailing business Powershop, acquired in 2022, serves households and small business customers in Australia.

Our 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 also operates the 60MW Riverina Storage System 1 in NSW, as well as the 200MW Rangebank Storage System and 370MW Koorangie Storage System both located in Victoria.

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

We welcome the AEMC's approach to consulting on structural reform and opportunity to explore how electricity pricing can better reflect consumer needs and support the energy transition. Developing new products and services to enable this transition will require experimentation and scope to expand beyond the centralised, single direction flow of electrons that has been the norm. The pathway to an increasingly decentralised energy system is unlikely to be linear or seamless. As the energy market competes to develop solutions, it will be key that there are incentives across the energy supply chain to drive down costs and maximise the benefits. It is likely that the pricing approaches in next decade to 2035 will be highly dynamic and necessarily experimental as the sector increases its sophistication in integrating new energy systems into the grid and into the lives and homes of energy consumers.

For the competitive market to function effectively and unlock its full potential, reform efforts must be clearly defined and purposefully directed. A valuable outcome of this review could be the development of a shared understanding of the specific goals the sector is working toward. With this common foundation, a fit for purpose pricing framework can be gradually built to support those objectives. Without such clarity, misalignment or shifting goals across the energy supply chain will increase resistance to change, leading to suboptimal outcomes, or worse, locking in inefficient regulatory settings that fail to serve the best interests of energy consumers going forward.

In much the same way that the market will experiment with products and services that may enable the transition, regulatory reforms and settings must be on the table for review/change if they are leading perverse or unforeseen outcomes. A willingness to adapt, change and improve outcomes will be essential. This review is an important step in this process, however, it cannot be seen as the end of this conversation.

[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

Our feedback draws on practical experiences as a disruptive retailer that is willing to drive innovation and break new ground in energy retail operations and product development. It highlights the key challenges and opportunities to reform in the current market framework. The key challenges we seek to address are:

1. Enabling efficient retail market outcomes with compliance consistency and reduced complexity

Retail competition delivers innovation and consumer choice, but rising regulatory complexity is straining retailers' capacity to respond. Frequent, fragmented reforms - often with minimal lead time - require costly, resource-intensive system changes that divert investment from innovation. Smaller retailers are disproportionately impacted, reducing competitive pressure and slowing sector-wide progress and innovation. A more harmonised and predictable regulatory approach, focused on high-impact reforms and realistic implementation timelines, is essential to reduce compliance costs, leaving space and resource capacity for customer-centric innovation while continuing the efforts to achieve equitable consumer outcomes.

2. Restructure network incentives to support retailers in building systems that reflect consumer preferences, while laying the groundwork for simpler, standardised tariff structures across regions.

We support reforms aligning network tariffs with wholesale market signals and enabling retailer collaboration in tariff design. However, there are also changes needed to the tariff assignment process - which is currently manual and resource intensive, yields inconsistent outcomes and limits a retailer's ability to manage network cost risk. Clarifying retailer rights to select tariffs (without risk of rejection from networks) and streamlining tariff assignment processes are essential.

More fundamentally, the existing network funding model incentivises asset growth over operational efficiency, driving up network costs. Addressing this structural bias - alongside improving access to network data and introducing location-based network price signals - would empower retailers and consumers to invest in cost-effective, grid-supportive solutions, reducing pressure on energy bills and enabling smarter CER deployment.

3. Reforming the retail-network tariff interface to align networks with retailers and the broader agreed objectives of the NEM.

The lack of standardisation in network tariff structures and definitions presents a significant operational barrier to pricing efficiency. Currently, retailers navigate a complex landscape of region-specific tariff designs, such as the case for solar soak pricing initiatives, which vary widely in timing and structure across distributors. This inconsistency complicates product development, system configuration, and consumer education, increasing operational costs and limiting scalability. As the energy transition introduces opportunities for consumers to invest in behind the meter assets, our view is that creating efficient price signals to encourage the right mix of assets is an opportunity this pricing review can explore. Moreover, there are clear opportunities for regulatory intervention to harmonise tariff definitions and time windows at a national level. This would support more streamlined retail offerings and reduce unnecessary complexity. It would also enable more effective utilisation of consumer energy resources, while preserving the flexibility needed to foster innovation and cater to diverse consumer preferences.

Further comments regarding these challenges are provided in the submission below.

Powershop thanks the AEMC for the opportunity to provide comment on this matter. If you would like to discuss any part of this submission, please contact Brett Crossley at brett.crossley@shellenergy.com.au.

Yours sincerely

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Retail outcomes and market complexity

As noted in the AEMC's discussion paper, retail competition delivers a range of positive outcomes for consumers – the spread of these benefits can be uneven. For those unable or unwilling to engage with the market, regulated pricing and the broader suite of consumer protections under the National Energy Customer Framework (NECF) provide a critical safety net. Meanwhile, more engaged consumers - such as those in the 'Behind Barriers' and 'Embracers' archetypes - can access competitive offers and take advantage of subsidies and innovative consumer energy resource (CER) products. While access and ability to participate vary across cohorts, the regulatory framework strives to ensure a consistent baseline experience and provides a strong foundation for expanding access and engagement, helping to ensure no one is left behind.

This ambition, however, is increasingly challenged by the rapid pace of technological advancement and the proliferation of new products designed to capture innovation benefits. While retail competition remains essential for driving innovation and consumer choice, it is becoming increasingly costly and challenging to sustain. The shift in regulatory priority away from the needs around long-term investment to short term focus of reducing energy prices for consumers has led to the removal of key retail cost components from regulated pricing. This includes the elimination of the competition allowance from the Default Market Offer (DMO), as well as proposed plans to exclude customer acquisition and retention costs from the DMO cost stack - further compound the challenges facing retailers. The accelerating rate of technology change is coupled with regulatory intervention - particularly as CER technologies evolve beyond rooftop solar to include dynamic inverters, batteries, and other behind-the-meter systems – and this requires retailers to make costly and complex operational adjustments[3]. This, in conjunction with the fragmentation and fast-moving nature of regulatory reform across jurisdictions adds further overhead and compliance risk that retailers must navigate.

We support regulatory changes that address market failures or improve consumer outcomes. However, the reality is that the current pace and volume of reform imposes significant costs and chills investment in innovation. Especially in cases where investments in system design quickly become obsolete or redundant due to evolving obligations or the introduction of new requirements. Streamlining and harmonising regulatory change processes would allow the sector to create compliant systems while preserving access to limited resources to pursue innovation that delivers tangible consumer benefits. A more targeted and predictable regulatory regime that targets higher order system leverage points that require fewer, albeit more impactful rule changes – can reduce the compliance burden while maintaining consumer protection and enabling innovation. Greater predictability would also help mitigate policy volatility, which has increased perceived investment risk across the industry.

These pressures are compounded by tightening budget constraints under regulated pricing frameworks across the National Electricity Market (NEM). Retail margin compression has required retailers to increasingly prioritise essential development and to meet new or changed regulations, often shelving investment innovation and productivity improvement initiatives that could enhance their competitive offerings. In this environment, the rising cost and complexity of compliance tends to favour larger incumbents, who can spread costs across broader customer base, and maintain investment intentions that deliver high-impact innovations. Smaller retailers, by contrast, may struggle to keep pace – which dampens the competitive pressure and slows sector-wide innovation. The growing complexity of building compliant systems that also deliver customer-centric outcomes

[3] A constant series of major regulatory reforms over the last decade have placed increasing pressure on capital and operational resources of retailers across the sector, including the 'Power of Choice' reforms, five-minute settlement, global settlements, Better Bills Guidelines, Consumer Data Right for Energy, Financial Transmission Rights (FTR), and the national smart meter rollout.

presents yet another barrier to entry, limiting the ability of new entrants to bring fresh, consumer-focused solutions to market.

Adding to this challenge is the rising cost of IT infrastructure and product development. Retailers are expected to respond rapidly to changes in network tariffs and evolving consumer expectations, often with insufficient lead time - sometimes as little as one month - to design, test, and launch new products. A more realistic implementation timeline, such as a 12-month notice period for tariff trials, would better support innovation and enable more meaningful consumer engagement.

Network reform

We welcome reforms to how networks approach tariff development, particularly efforts to align network tariffs with the wholesale market. This alignment can enhance the efficiency of price signals that consumers respond to, ultimately supporting more informed and cost-effective energy use. It is also timely to consider designing network tariffs in collaboration with retailers - especially as network tariffs are increasingly no longer treated as simple pass-through costs in retail pricing and the retailers shoulder the additional risk of cost under recovery. If implemented effectively, these changes could lead to better-designed network tariffs that enable retailers to sharpen their market offerings and deliver lower-cost energy to consumers.

There are, however, several other barriers must be addressed in the same package of tariff reform to ensure networks are agnostic about which tariffs consumers are placed on. In the proposed environment where retailers co-develop tariffs with networks; it is critical that retailers also have the flexibility to efficiently nominate the most appropriate network tariff for their customers. In our experience, networks typically assign a tariff to a National Metering Identifier (NMI), and changing this automatic assignment requires multiple manual steps and a formal application to Distributor (DB)'s. Even then, there is a risk that the DB may reject the application and retain the original tariff nominated for the site. As this exists in a grey area of the rules, the AEMC may look to clarify the expectation that networks facilitate and allow retailers to nominate their tariff preference (in unique applications and ideally at scale across a book of customers) and respond to these requests in a timely manner. As monopolies with significant and asymmetrical market power, clarifying the obligations of networks in these processes requires a clearly defined rule that compels networks to act in the interest of consumers and by extension, retailers who represent these market participants. Streamlining this process and ensuring consistent outcomes is critical. Particularly if retailers are to be treated as the primary consumers of network tariffs and have greater control to manage network risk (in aggregate in much the same way as wholesale costs) across their customer base within each distribution region. This would be a significant improvement over the current settings, which impose tariff decisions on customers and retailers.

While this is an important step to reforming network tariffs in general, this does not address the fundamental underlying cost drivers that have seen network costs maintain its place as the largest component of the energy cost stack. DBs currently manage their assets under the Regulated Asset Base (RAB) model, which has underwritten DB confidence to invest strongly in developing distribution assets through the provision of regulated returns to guarantee capital investment and network expansion. This model was well suited to an era of rapid community development where infrastructure build out was essential to ensure reliable energy supply.

However, the energy landscape has evolved, and today's challenges (such as decarbonisation, consumer energy resource uptake, and demand flexibility) requires a shift in focus and a change in how the sector approaches investment. The current funding and incentive structures for DB's still prioritises asset growth over operational efficiency and optimal system utilisation. A key issue is the lack of incentives and opportunity to

engage with retailers to collaborate and unlock value from identifying and implementing the lowest-cost, most efficient operational solutions. Addressing this imbalance should be a priority for the AEMC as it seeks to establish a framework that enables the energy supply chain to respond to and efficiently navigate new and emerging challenges. We believe that the path to achieving this objective will require addressing the structural bias that drives networks to prioritise capital expenditure and asset growth. Instead, networks should be held accountable to genuinely explore collaborative alternatives through engagement with the broader energy supply chain, while recognising that their monopolistic market power creates information asymmetries and an imbalance for negotiations with retailers. This shift is fundamental to mitigating rising network costs, easing pressure on consumer energy bills, and enabling more competitive retail offerings.

Information asymmetry poses another barrier. We propose that making distribution market data publicly available presents a significant opportunity to enhance the energy sector's understanding of the type, scale, and location of the challenges DBs are working to address. At present, the lack of transparency around these challenges limits the broader supply chain's ability to contribute to better outcomes or to avoid inadvertently worsening the issues.

Improved access to network data and insights could help quantify the types and capacities of assets that might be deployed to support network balance and reduce reliance on costly infrastructure augmentation. In the absence of broader market participation, DBs are often left with limited pathways: either seek RAB funding for all augmentation (risking overinvestment), or pursue innovative, market-based solutions that require exemptions under the ring-fencing framework. While we support the ring-fencing framework and its role in preserving competition and preventing market distortions, we also see a clear opportunity to introduce location-based price signals to network tariffs. These signals could incentivise retailers and, by extension, consumers to invest in targeted assets that alleviate pressure on the network.

The bottom line is that at present, the market lacks effective network price signals to guide investment and prevent customer energy resource expansion from worsening network challenges in some areas while missing opportunities to solve them in others. By sharing network market insights through price signals, DBs can engage retailers to utilise demand for CER retail products, to manage network cost risk and empower consumers efficiently invest in CER assets that have broader grid utility. This would be particularly valuable in planning where and what types of CERs could deliver the greatest benefits in specific regions. Ultimately, making this market intelligence publicly accessible can unlock new opportunities for the broader energy market to help alleviate network investment pressure – importantly reducing the need for network asset expansion that is driving up consumer energy bills.

Standardisation and simplification across networks

The discussion paper rightly highlights the misalignment between network tariffs and wholesale market prices as a key opportunity to improve pricing efficiency. However, a significant operational barrier exists at the outset of the tariff development process: the lack of standardisation in network tariff structures and definitions.
In our experience, each network's unique approach to tariff design and the allocation of price signals across different time periods introduces unnecessary complexity. This complexity affects both retailers who must adapt their systems accordingly and consumers, who struggle to understand and respond to these signals.
Take for example, solar soak pricing initiatives designed to encourage daytime energy use. These tariffs are implemented inconsistently across distributors, making them difficult to scale effectively. The timing and structure of solar soak windows vary widely:

- South Australia Power Networks offers a solar soak window from 10 a.m. to 4 p.m. daily, followed by a 1-hour shoulder (4–5 p.m.) before peak pricing from 5–9 p.m.
- Endeavour Energy sets its solar soak window from 10 a.m. to 2 p.m., Monday to Sunday, with no weekend peak period.
- Essential Energy provides a 'Sun Saver' soak period from 10 a.m. to 3 p.m., with a shoulder charge from 3–5 p.m.

This lack of standardisation (both in soak windows and off-peak periods) has led to a proliferation of time-based variations, including differences between weekdays and weekends. While a one- or two-hour difference may seem minor in isolation, the cumulative effect is significant. It complicates product development, pricing accuracy, and regulatory compliance across a retailer's customer base in the National Electricity Market (NEM). Moreover, this complexity extends to consumer education. Marketing and digital materials (including websites) must be tailored to each region's specific tariff structure, requiring a broad range of collateral to explain when and how these pricing signals apply.

Table 1. Example of variance in solar soak windows

	Solar Soak Window	Shoulder Period	Peak Pricing Period
South Australia Power Networks	10:00 AM – 4:00 PM	4:00 PM – 5:00 PM	5:00 PM – 9:00 PM
Endeavour Energy	10:00 AM – 2:00 PM	2:00 PM – 4:00 PM weekdays	No peak on weekends
Essential Energy	10:00 AM – 3:00 PM	3:00 PM – 5:00 PM	5:00 PM – 8:00 PM

As the energy transition progresses and new products and services enter the market, we can expect a growing number of tariff signals and time windows designed to encourage the use of specific assets at different times of the day. In this context, we support regulatory intervention to promote greater alignment of network tariffs across regions. Simplifying and standardising tariff definitions and time windows nationally would help retailers streamline their offerings, enhance transparency, reduce operational costs, and enable more meaningful product differentiation–ultimately maximising the value and utilisation of consumer energy resources.

That said, while simplicity is often associated with accessibility, it's important to distinguish between "simple" and "basic." Networks should be required to develop tariffs that are both cost-efficient and easy to understand, without eliminating the flexibility needed to support more sophisticated structures that cater to diverse consumer preferences. Retailers need access to a suite of co-developed tariffs that can paired with retail products (of varying complexity) that consumers want. While some consumer segments prefer straightforward, cost-effective tariffs, there is a growing opportunity to develop innovative products that leverage the increasing diversity of behind-the-meter distributed energy assets. Retaining flexibility in tariff design is essential to support retailers as they innovate their market offering to cater for more engaged and technologically advanced consumers. Many of these customers are both willing and able to respond to more complex tariff structures that optimise the performance of their assets. Although the market for sophisticated, tailored energy products is currently small, it is expanding. To unlock this potential, a consistent and transparent pricing framework that is also flexible enough to accommodate innovation - will be critical as this segment continues to grow.