

18 February 2026

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

RE: EPR0097 – Draft Report: The pricing review: Electricity pricing for a consumer-driven future

About Shell Energy and Powershop in Australia

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, serves households and small business customers in Australia.

As one of the largest electricity providers to commercial and industrial businesses in Australia,¹ Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised service. Our generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, to provide back-up for rising levels of renewable energy, and the 120-megawatt Gangarri solar energy development in Queensland. Shell Energy also operates the 60MW Riverina Storage System 1 in NSW.

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 support the AEMC's core premise that unlocking the potential of competitive markets is essential to maximising outcomes for Australian consumers and acknowledge that effective competitive market settings are fundamental to the future of the energy sector. Realising this potential will require regulatory stability that enables innovation and regulation that acts as a set of guardrails rather than constraints.

However, the draft report does not appear to adequately account for the substantial pipeline of regulatory change already underway. There are real costs and trade-offs between managing a large backlog of reforms and enabling market-driven innovation, particularly when many existing reforms have not yet been implemented or assessed for their effectiveness. By accelerating the 2035 timeframe to 2030, the AEMC risks embedding significant sunk costs tied to the current regulatory paradigm. Retailers are already absorbing considerable expenditure on system development and compliance to meet an increasingly complex and fast-moving regulatory environment. Bringing forward this agenda before the benefits of existing reforms can be tested or realised is a material cost that should be explicitly factored into any forward planning and cost-benefit analysis. Given the scale of the proposed overhaul to the competitive market in Theme 1, we urge the AEMC to undertake deeper analysis of the mechanics it intends to rely on to redirect competitive effort. A clearer set of design principles would be valuable in guiding the reform process and in distinguishing the intended outcomes and policy intent. Such principles would help ensure the proposed framework supports competition rather than restrict it and provides an anchor for assessing the coherence of the full reform package.

While the reform items within each theme are distinct, there may be value in considering how individual changes interact when viewed as a whole. Further consideration is needed to ensure each individual policy lever used in these reforms do not overlap, conflict, or undermine the potential benefits, particularly given the operational challenges they may introduce. For example, removing evergreen contracts to support a competitive franchise may, on its own, deliver on the policy objective in the *same plan, same price* workstream

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.

without requiring a more complex, overlapping or difficult-to-enforce market redesign proposed in the draft report.

Key remarks:

- **The regulatory change pipeline is already substantial, with benefits not yet realised.** Accelerating a new regime to 2030 risks stranding significant sunk costs and diverting resources from delivering value from existing reforms.
- The competitive franchise model may theoretically address the AEMC's target problem, **but its feasibility and net benefit depend on clarity of scope, mechanics and safeguards. Given the significance of the overhaul, we urge the AEMC to demonstrate that the proposed package resolves more issues than it creates.**
- **Retiring evergreen contracts may increase structural market risk**, which may have negative implications for energy consumers as market offers may be less enticing and retailers have less headroom for investment in innovation and developments that improve their experiences.

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

Powershop thanks the AEMC for the opportunity to provide comments 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

Libby Hawker

General Manager – Regulatory Affairs and Compliance

Theme 1 – Harness competition to improve outcomes for all consumers

1. Same plan, same price

The proposed same plan, same price reform has important implications for households entering market contracts. Today, for example, a customer who signs a contract in March can generally expect the agreed price to remain stable until the next annual change period. Retailers may periodically adjust the prices offered to *new* customers, but these changes do not usually apply to existing customers outside annual price adjustments.

Under the proposed reforms, it is our understanding that any price change would apply to all customers on that product, regardless of when they entered the contract. This means customers could receive multiple price change notifications throughout the year, both upward and downward, depending on how retailers reposition their market offers. While customers would benefit when prices are falling, they would also be exposed when price rise. Over time, frequent changes (particularly if occurring during high usage periods of the year) may undermine confidence in the contract they originally chose and make it more difficult for households to plan and manage their energy budgets. This may also unintentionally contradict the soon-to-be implemented rule changes that restrict retailers to a single price change in July each year.

2. Competitive franchise

We request the AEMC provide greater clarity on how the competitive franchise model could operate in practice. Particularly if competitive franchise proceeds in conjunction with the changes proposed in *Reform 1: Same price, same plan*, industry would need clarity on how customers would be pooled (and what frequency), the limitations (if any) to what retailers would be approved/not approved to bid, how bids would be evaluated, and how retailer obligations would be managed.

More importantly, the proposal carries several potential points of failure: operational, financial and customer experience that could materially increase risk and adversely reshape the retail market including potential risks to market competition and innovation. Many of these risks could be mitigated through detailed design and consultation, but the current paper does not outline specific guardrails or design principles that would underpin this reform. Without that level of clarity, stakeholders are being asked to assess a concept that could contain numerous risks that are not fully known until the details of a proposed design are prepared.

Before we can give considered feedback, the AEMC should undertake further scoping work, publish worked examples of the franchise process, and test potential cost and risk impacts on retailers and customers. This additional detail is essential for assessing whether the reform will deliver net benefits or introduce unintended consequences that outweigh the intended improvements for households.

Evergreen contracts

The proposed shift away from evergreen market offers introduces new risks that should be recognised and managed in the final design.

Under current arrangements, evergreen contracts give retailers a predictable and stable customer base and reasonable assumptions about volume commitment across years. This stability and load assumptions supports efficient hedging, allows wholesale positions to be matched to expected demand, allows investment in scale and helps deliver competitive pricing for consumers. Removing the contractual continuity of evergreen arrangements would increase both the frequency and unpredictability of churn, which in turn raises the likelihood of misalignment between contracted hedges and actual load.

If customer tenure becomes more volatile with the introduction of competitive franchise at the end of fixed market contracts, and ongoing load commitments become less predictable, retailers may face greater uncertainty when forecasting demand and procuring hedges and supporting prudential requirements. Higher uncertainty can lift risk premiums if retailers' position for larger and more common swings in customer volumes within compressed timeframes. At a system level, duplicated hedging during transfer periods can create deadweight losses. The resulting costs are likely to surface in less targeted pricing and could erode the consumer benefits the reforms are intended to deliver.

To manage the anticipated added volatility that fixed-term market offers may introduce, it may be appropriate to reconsider the utility of longer contract structures alongside carefully calibrated exit fees or other cost-reflective risk management tools. The purpose is to protect consumers from broader cost increases by ensuring the specific costs created by early switching are not socialised. When proportionate, these tools could stabilise pricing, support more efficient hedging, and enable continued investment in customer-focused innovation and the energy transition. The key is to allow recovery of genuine hedging costs incurred on a customer's behalf without imposing punitive charges or reducing the competitiveness of market offers.

Given the intention for more customers to move between retailers, greater regulatory flexibility may be required to enable automation. We support the AEMC considering targeted changes to the Energy Information Code to facilitate low friction movements. Whether customers are transferred through an auction or choose to recontract with their current retailer, the pathway should be simple, intuitive and accessible. For example, a customer might want to recontract with their existing retailer via a single step action in an app, on a website or by email, or choose what information is shared to enable an automated processes to streamline more frequent customer switching.

Without clarity on automation, consent pathways and customer-initiated recontracting it is difficult to assess how *same plan, same price* reforms could interact with the competitive franchise model and the retirement of

evergreen contracts. We encourage the AEMC to set out the intended combination of reforms and to define the expected level of EIC automation and minimum operational requirements. Clear guidance on the pathway the AEMC intends to take on implementing either/or reform workstream is critical to better assess the impacts and respond with a more informed view.

Mechanics of the competitive franchise

In order for the competitive franchise to deliver the outcomes the AEMC envisions, key questions need to be answered to ensure that the mechanics underpinning these processes are robust. Chief among them is to clarify what, if any, guarantees retailers participating in the process can depend upon. It is important to understand whether acquired customers would remain with the successful bidder for a defined period, or whether they would be free to re-enter the market immediately to seek alternative offers. If customer retention is uncertain, retailers may factor this risk into bid pricing or be discouraged from participating altogether, particularly if they face the prospect of immediate churn without any ability to influence the outcome.

Clarity is also required on the nature of the product being bid. To support efficient price discovery, the offer should be simple or at least consistent with the tariff structures currently applying to the customer pool. For example, a retailer bidding a complex demand tariff to a cohort on a flat tariff is unlikely to lead to workable, comparable offers. The product design within the auction must therefore reflect the characteristics of the customers being allocated.

Further detail is needed on how customer pools will be formed. Grouping customers by region and tariff type may provide retailers with the transparency required to price efficiently. More granular approaches, such as pooling by CER profile, may allow some tailoring but could reduce competitive tension and make pricing less efficient if pools become fragmented or contain attributes retailers find difficult to price. Poorly constructed pools may also increase cross subsidies, particularly for customers who do not have access to CER and therefore have limited ability to offset rising prices. The design of customer pools will influence the ability of the auction to discover competitive prices for different customer cohorts. Tailoring pools to reflect specific customer attributes could support sharper pricing for some groups but may also create categories of customers for whom retailers are unwilling to bid. This increases the risk of auctions, which would undermine the broader intent of the proposal. Further analysis of pool formation is therefore critical to ensure balanced outcomes.

Auction frequency is another area where greater clarity would be beneficial. Consumers enter and exit market contracts daily, and understanding whether the AEMC envisages daily auctions or periodic processes with aggregated pools will shape how retailers prepare bids, manage hedging requirements and engage with customers. Clarity on the information that will be provided about customer cohorts would be useful for consideration. This includes whether data such as credit history, outstanding debt, life support status or family violence status will be made available, and what information would accompany any subsequent customer transfer between retailers following an auction outcome.

Finally, there is a risk that not all customers will be better off under the franchise model. Clear safeguards will be essential to ensure the competitive franchise delivers meaningful consumer benefits and does not create unintended detriment, particularly for vulnerable or disengaged customers. The AEMC must outline the protections or fallback arrangements if an auctioned customer receives a less favourable outcome to their expired market contract.

Hedging implications

The auction process itself is likely to introduce additional hedging uncertainty that will need to be managed. Retailers preparing bids may need to procure hedge cover in anticipation of acquiring a portion of the customer pool, even though the final allocation may differ from expectations. This creates a risk of misalignment between hedged positions and actual load, which could increase the cost to serve. Retailers that miss out on customers they had hedged for face a similar issue, as they may be left holding positions that do not match their portfolio needs.

These dynamics tend to favour retailers with the scale or internal capabilities to manage hedging flexibly and to access lower cost wholesale products. Smaller retailers that rely on externally sourced hedges are likely to face higher costs or accept higher risk (introducing failure risk) and greater exposure to auction variability, which could reduce competition and entrench incumbency.

If auctions occur during periods when wholesale contract prices are elevated, customers entering the process at those times may face higher retail prices than would otherwise be the case. Wholesale contract markets are cyclical, and the timing of auctions could materially influence outcomes for customers if these interactions are not carefully considered in the final market design.

Theme 3 – Reward consumers for activities that are valuable in achieving a lowest-cost system, and target a more equitable allocation of shared costs

The proposal to shift the focus of network tariff development from energy consumers to energy service providers requires careful planning to unlock value and provide efficient and effective outcomes. Without clear guardrails to ensure a level playing field, retailers may lack the ability to genuinely influence outcomes. The structural market leverage of monopoly DNSPs create a material risk that retailers will be unable to secure the changes needed for the reforms to deliver meaningful benefits. This imbalance is amplified by the fact that retailers cannot switch to alternative DNSPs if negotiations fail. Regardless of how satisfied retailers are with the process or its outcomes, DNSP interests remain protected because retailers must ultimately accept network tariffs. Simply reframing consultation from consumers to retailers may not, on its own, deliver outcomes.

Retailers have varying degrees of IT and billing system complexity that may create hurdles for networks seeking alignment across the sector. An approach that works well for one retailer may be suboptimal for others. To mitigate this, guardrails should be complemented by a clear set of principles that guides discussion, supports consistent decision making, and recognise the imbalance in negotiating with monopolies in annual tariff development processes. Reasonable lead time would be essential to ensure retailers have the resources available to effectively transition to this new operating environment.