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Australian Energy Regulator  
GPO Box 3131  
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Submitted: via email to [energyqueensland2025@aer.gov.au](mailto:energyqueensland2025@aer.gov.au)

**RE: AER213703- Energex - Determination 2025-30**

### 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, acquired in 2022, serves households and small business customers in Australia.

As one of the largest electricity providers 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 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 and the 200MW/400MWh Rangebank BESS 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

Powershop welcomes the opportunity to participate in the Australian Energy Regulators (AER) consultation - Energex - Determination - 2025 - 2030. This five-year pricing determination period will be pivotal for the National Electricity Market (NEM). During this period, we anticipate ongoing adoption of consumer energy resources (CERs), a more responsive mix of unscheduled generation from Battery Energy Storage Systems (BESS), and further progress in household and industrial electrification. Networks will need to be proactive in managing the impacts of these changes on their infrastructure and engagement with retailers will be paramount as we assist customers in this transition.

To ensure that Energex can meet these challenges over the coming years, now is an opportune time to match investment and cost recovery measures and ensure that Energex can leverage an appropriate mix of tariffs, Capex and Opex to reliably deliver for consumers in Queensland. It is equally important that Energex (and networks more broadly) are not drawn into resolving wholesale market challenges and maintain a disciplined focus on deploying capital and resolving network-specific challenges.

The introduction of TOU tariffs and (potentially export tariffs) to alleviate network constraints is a significant change to the tariff landscape for retailers and consumers. There are promising signs that pursuing tariff

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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.

reform may help to control the cost of investing in network augmentation and reduce the level of cost recovery needed and lower network charges on all customer bills to 2050. Although the modelled benefits appear promising, careful planning is needed to appropriately manage the transition for consumers to a variable tariff environment. The impact of this transition on the consumer needs to be a top priority, and every effort must be made to minimise the adverse impact of transitioning to new tariffs structures on all consumers.

We would welcome Energex (and other distributors seeking to implement similar tariff settings) to engage with retailers early and closely to coordinate a roll out that maximises the upside to customers' bills and minimises the adverse effects, particularly for those with CER. A staged approach to implementation, as recommended by the AER tariff reform guidance<sup>3</sup> will be critical to give retailers the opportunity to develop systems and products that will help to reinforce the benefits for consumers – such as updating billing systems to help customers more clearly understand the costs and sustainability benefits.

Early engagement with retailers and consumers will assist them to make informed decisions and signpost how regulators and networks see these structures developing over time. This would also raise consumer awareness that their investment decisions are in the context of a rapidly evolving tariff environment. Engagement needs to include testing with retailers, the ability for retailer tariffs to accommodate network tariff and design. For the tariff reforms to operate as modelled, retailers will need to be able to pass through the price signals to consumers and provide guidance as to the behaviour change needed to minimise the costs. If pass through is not possible due to the regulatory limitations (such as the smart meter roll out), careful consideration must be made to minimise the time that network and retail tariffs are mismatched. Early engagement would also enable retailers to test pricing propositions with consumers and determine whether these types of tariff reforms result in the modelled changes required for networks.

Ultimately a fairer distribution of costs and the benefits of alleviating reliability pressure on the network will only accrue if signals are able to be passed through to customers, they understand and support them and are able to respond to the tariffs presented. This principle drives the need for simplicity in tariff design for smaller customers and the need for flexibility through a staged adoption of TOU that allows customers to maintain agency over their usage decisions and accommodating those that are unable to modify usage and wish to remain on a flat tariff.

Further comments around the determination are provided in the submission that follows.

If you would like to discuss any part of this submission, please contact Brett Crossley at

[REDACTED]

Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs and Compliance

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<sup>3</sup> [Distributors should explore tariff trials, AER](#)

## Time-of-Use tariffs

While Powershop recognises Energex and the AER's efforts to adopt Time-of-Use (TOU) tariffs to minimise network investment and limit the overall impact of cost recovery on consumers bills, flexibility in the adoption is necessary. The ability for retailers to translate these tariffs into retail offerings that are easily understood by consumers, so that they can modify their usage, must be a consideration of network tariff design. We understand that exploring all means of efficiently integrating CER into the grid is crucial for protecting consumers and ultimately avoiding unnecessary increases in their bills, however simplicity is the key for smaller customers to readily adopt TOU structures. For these reasons we also agree with the AER that default demand tariffs are generally not suitable for the small customer cohort.

We strongly support the collaborative approach to exploring the use of market price signals to shift consumer behaviour and minimise investment required to augment the network. An efficient and targeted approach to price signalling may be a reliable method of achieving the most efficient means of enhancing grid outcomes.

However, there remains an unaddressed challenge to transitioning to variable tariffs. When switching consumers over to TOUs, retailers remain obligated to provide the option to remain on flat-rate tariffs. If the consumer chooses to remain on a flat-tariff, distributors should continue to provide a corresponding flat-rate network tariff to avoid a mismatch of distribution use of network charge (DUOS). This mismatch may be prolonged further as the smart meter roll out locks tariffs structures for impacted consumers.

We also question the effectiveness of relying solely on TOU tariffs to solve the specific challenges faced by networks and regulators as electricity demand is largely inelastic, even when price signals are robust<sup>4</sup> and have been shown to have limited impact on overall consumption.<sup>5</sup>

Households that have invested in solar PV are often generating at their peak during minimum load. Finding a solution for what to do with this unscheduled generation dispatched to the network is a critical component of mitigating the augmentation needed in networks across the country, including Energex. Switching all households to a TOU import tariff will not sufficiently address the need to provide a price signal to curb exports at minimum load and shift demand to these times.

With regards to the challenge of reducing peak demand in the evenings, it is unlikely that TOU peak charges (even more unlikely if they are not passed through by retailers) will encourage significant change in consumption during these hours.<sup>6</sup> It is crucial that the mix of price signals used can achieve the desired shift in demand (and export) for supporting lower investment in network augmentation.

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<sup>4</sup> [The price elasticity of electricity demand when marginal incentives are very large](#), Lanot and Vesterberg, 2021

<sup>5</sup> Such as the [Sunshine Tariff trial in the United Kingdom \(2017\)](#),

<sup>6</sup> [Sunshine Tariff. Summary report 2017](#), Western Power Distribution and Regen SW, [People power: how consumer choice is changing the UK energy system](#), Brandmayr et al. 2017, [Price and income elasticities of residential and industrial electricity demand in the European union](#), Csereklyei 2020.

## Export tariffs

Including export tariffs in the broader discussion about tariff reform is a logical step to consider the integration of the growing volume of CER in the two-way energy flow environment. While the proposed export tariffs may be well targeted to solve the network challenge at hand, more consideration must be made to the creation of new charges that minimises adverse impacts to consumers, particularly those with CER and limited ability to alter their behaviour to capture the upside from these reforms.

We agree that network led or funded education programs <sup>7</sup> will be integral to the success of tariff reform (regardless of the shape it ultimately takes), helping consumers to understand the rationale and implications of these new tariffs. Achieving consumer acceptance and uptake of reformed tariff structures is in the best interest of the grid and can deliver benefits to every single energy consumer.<sup>8</sup>

Energex's modelling presents a position to continue developing efficient tariffs.<sup>9</sup> This is a particularly important setting to get right in the critical stages of the energy transition where tariff reform may do the heavy lifting needed to avoid costly network augmentation that all consumers would otherwise pay for. We expect the AER to arrive at a data-driven decision that appropriately weighs the costs of deferring two-way export tariff structures against the impact on consumer bills, especially those without CERs. We support exploring a tariff trial that enables Energex to deepen its collaboration with retailers to refine its variable export tariff design and develop understanding with consumers and trust with retailers. A staged approach would give retailers time to build (currently absent) system capability to reliably support a variable export tariff environment and eliminate risks for customers. It also enables retailers to trial retail offers compatible with the proposed tariff reforms.

## Dynamic operation envelopes

In the same modelling referred to above, Energex found efficient tariffs combined with dynamic controls can lead to even better outcomes. We question whether the full cost of has been accounted for, as retailers will be needed to support consumers to understand the implication of dynamic connections (such as the impact on their bills and operation of their assets) without compensation. When the cost of servicing specific customer cohorts increases, it is well understood that retailers pass on these costs to all customers through market offers. A precise cost-sharing mechanism between retailers and networks for dynamic connections is preferred to a cross-subsidisation model that is likely to increase bills for all consumers. Pursuing an approach that promotes efficiency and fairness, will allow the benefits of dynamic connections to be shared while ensuring retailers are adequately compensated for managing consumer relationships.

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<sup>7</sup> [TSS Explanatory Statement | 2025-2030 Regulatory Determination Proposal](#), Energex, 2024, pp 43.

<sup>8</sup> [Counteracting the duck curve: Prosumage with time-varying import and export electricity tariffs](#), Restel and Say, 2025

<sup>9</sup> [Network Tariffs and Dynamic Controls: Long term network bill impact to Energex and Ergon customers](#), 2024