

20 September 2024

Independent Pricing and Regulatory Tribunal NSW
PO Box K35
Haymarket Post Shop
NSW 1240

Submitted: online

RE: Monitoring the NSW retail energy markets 2023-24 consultation paper

Powershop welcomes the opportunity to respond to IPART's consultation on its 2023-24 Retail Energy Market Report.

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 Australia¹, 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

Powershop recognises the importance of monitoring the NSW retail energy market and notes IPART's intention to report on how different electricity pricing structures are impacting small customers in NSW in its 2023-24 Retail Energy Market Monitoring Report.

In the first instance IPART should utilise retailer data that has already been provided to market bodies to inform its 2023-24 report, with the Australian Energy Regulator (AER), the Australian Competition and Consumer Commission (ACCC) and the Energy and Water Ombudsman NSW (EWON) having requested elements of the same information in different ways. Powershop encourages IPART to limit the compliance and resource burden for retailers who are having to comply with different formats to supply the same data to multiple bodies. The number of information requests from regulators has placed an unparalleled burden on operational teams, diverting them from day-to-day activities.

Response to consultation questions

For the matters we are required to report on, are there additional metrics that we should consider for our 2023-24 report.

Powershop considers that the metrics outlined in Table 1 of the consultation paper are appropriate.

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.

How are changing electricity pricing structures, including time of use and demand tariffs, impacting households and small businesses? What datasets are available to assist us in understanding the impact of these pricing structures on consumers?

Powershop notes that tariff structures are an increasing area of interest for governments and regulators. The ACCC in its June 2024 Inquiry into the National Electricity Market report found that 'customers on time-of-use and demand tariffs have similar outcomes to those on flat tariffs³' and that '... results show that a wide variety of price outcomes are possible for customers, regardless of their tariff structure. Customers on any tariff type can pay more than they need to if they are on a plan that doesn't suit their circumstances⁴'.

Regarding datasets, retailers provide all offers and tariff combinations to the AER via their Energy Made Easy portal. A representative customer usage profile would also be available from the AER, given the AER's responsibility for the Default Market Offer and Energy Made Easy. Alternatively, AEMO and energy networks may be able to provide load shape data for customers on new tariffs.

Further, retailers provide a range of data to the AER as part of its Quarterly Retail Performance Reporting.⁵ This includes data on the types of tariff structures for customers with smart meters; switching; and complaints specific to smart meters and billing.

Powershop encourages IPART to engage with the AER in the first instance to access the quantitative information it requires to inform its report. In addition, EWON may be able to assist IPART with complaints data specific to changing electricity pricing structures.

What additional information would assist household and small business customers in engaging with and responding to changing tariff structures, including time of use and demand tariffs?

Powershop considers that both retailers and distributors are responsible for the pricing which a customer experiences, especially where this relates to the underlying tariff. While the AER has a role to play in ensuring that tariffs meet the pricing and consumer objections of the National Electricity Rules (NER).

Currently retailers are required under the National Energy Retail Rules to provide notice to customers of any variation in tariff or charges.⁶ Information is also readily accessible on Energy Made Easy⁷ and the NSW Government Climate and Energy website⁸ to assist customers understand their tariff structures.

The NER includes pricing principles⁹ for network providers in which the structure of each tariff must be reasonably capable of:

- being understood by retail customers that are or may be assigned to that tariff (including in relation to how decisions about usage of services or controls may affect the amounts paid by those customers) or
- being directly or indirectly incorporated by retailers or Small Resource Aggregators in contract terms offered to those customers.

As such, a customer's experience is not only dependent on the relationship and systems put in place by the retailer but also on the interactions with their underlying distribution network. Powershop considers that distribution networks have a role to play in ensuring that tariffs are not overly complex and can be readily understood by customers - as retailers often pass through the network tariffs. Given network tariffs typically

³ [Inquiry into the National Electricity Market - June 2024 report \(acc.gov.au\)](#). pg 60

⁴ [Inquiry into the National Electricity Market - June 2024 report \(acc.gov.au\)](#). pg 60

⁵ <https://www.aer.gov.au/publications/reports/performance/retail-energy-market-performance-update-quarter-3-2023-24>

⁶ National Energy Retail Rules, subrule 46.

⁷ <https://www.energymadeeasy.gov.au/>

⁸ <https://www.energy.nsw.gov.au/households/guides-and-helpful-advice/being-more-energy-efficient/measuring-your-usage/using-smart#electricity-pricing-and-contracts>

⁹ NER clause 6.18.5 (i)(1) - (2).

represent the greatest component of retail tariffs, retailers will rightly attempt to structure their tariffs to match the underlying network tariff, to sufficiently recoup costs. Complex network tariffs add to the difficulty of educating customers on the retailer tariff, particularly around the basis of the pricing methodology. Any communication to assist customers to engage and respond to changing tariff structures will only be effective if the network tariffs that retailers pass through are simple and easily explainable.

Powershop notes the work currently being undertaken by the AEMC to progress its Accelerating Smart Meter Deployment Rule Change. The AEMC proposes a number of customer protections including:

- the requirement that if tariff variations result from a smart meter deployment, retailers will be required to provide details to the customer regarding how to understand, monitor and manage their electricity usage, and
- an estimate of what the customer's historical bill would have been under the new varied retail tariff, compared to the bill the customer received under their existing tariff.¹⁰

Further, the AEMC is proposing:

- a new explicit informed consent (EIC) requirement – customers would be required to give their explicit informed consent for retailers to change their retail tariff following a smart meter deployment. This right would last for three years after the customer receives the smart meter.
- A mandatory flat tariff option – certain retailers would be required to make a flat tariff option available to all customers. This measure would be implemented by jurisdictions.

Retailers should be able to align their tariffs to the underlying network tariff to ensure that they can adequately and fairly recoup costs. Powershop considers that it is imperative that this rule change doesn't exacerbate a mismatch between what a distributor charges a retailer, and what a retailer can charge a customer. Any misalignment between retail and network tariffs can mean retailers are unable to recover costs for the duration of the misalignment. With network tariffs typically representing the greatest component of retail tariffs, the impact of this can be significant. If retailers are required to implement or keep a flat retail tariff for a customer, it is essential that the underlying network tariff must reflect this as well. As proposed, retailers will be unreasonably required to absorb costs associated with tariff mismatch, which will inevitably be passed on to customers via a risk premium. Further it will create difficulties in effectively communicating this to customers and likely increase customer confusion on how best to respond to their changing tariff structures.

Powershop considers that a more customer centric approach is that tariff reassignment should be opt in, or opt out following the example of Victoria's Advanced Metering Infrastructure (Retail and Network Tariffs) Order.¹¹ Powershop proposes that distribution networks should have a flat tariff available for customers that have a smart meter installed. Further, distributors should not be permitted to change a customer tariff or tariff structure within a specific period of time unless the customer has requested this (opt in). Distributors must assign or reassign the network tariff to a flat tariff on the request of a retailer (on the back of a request from the customer) and the timeframe to fulfill this assignment request should be minimal (opt out).

Powershop recommends that to inform its review IPART should engage with the AEMC regarding this rule change and the AEMC's work program including a self-initiated a review into the role that electricity pricing, products, and services will play in supporting the diverse needs of customers.¹²

What information is available to help IPART understanding virtual power plant programs in NSW? including: a. which retailers are offering virtual power plant programs; b. customer numbers in virtual power plant programs; c. the benefits of participating in virtual power plant programs; d. eligibility criteria for virtual power plant programs

¹⁰ [Accelerating smart meter deployment | AEMC](#)

¹¹ <https://www.gazette.vic.gov.au/gazette/Gazettes2021/GG2021S295.pdf>

¹² <https://www.aemc.gov.au/market-reviews-advice/electricity-pricing-consumer-driven-future>



Powershop currently offers virtual power plan program for eligible customers in Victoria, South East Queensland, South Australia and New South Wales.

To access the program customers must:

- be a Powershop customer
- not be registered for GST
- have entered into an Agreement that has not ended
- have a functional Battery System installed
- have agreed to all the VPP Platform's terms and conditions of service, including for installing the VPP App and accessing the VPP Platform
- have a smart meter (preferably on a time-of-use tariff) or agree to have a smart meter installed
- have a continuous and stable broadband internet connection
- not be participating in another virtual power plant program; and
- not have any person residing at the premises that relies on life support equipment.

Further information on our program can be found at <https://www.powershop.com.au/better-energy/virtual-power-plant>

Powershop thanks IPART for the opportunity to provide comment on this matter. If you would like to discuss any part of this submission, please contact [REDACTED]

Yours sincerely

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