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

RE: Solar Sharer Offer Consultation Paper

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,[1] Shell Energy offers integrated solutions and market-leading[2] 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.

Executive summary

Powershop supports the intent of the Solar Sharer Offer (SSO) to provide strong price signals to shift demand, but the proposed design needs more consideration to **avoid negative customer impact**, reduce complexity and minimise cost impacts (particularly network costs). Given structural shifts in the market already underway, consideration should be given to the SSO as an **interim measure rather than a permanent solution** to ensure that implementation and operational costs are kept to a minimum. **More flexible approaches may be worth exploring** to encourage retailers to develop SSO-type offers through the existing competitive market offer framework. These could include clear guidelines to ensure consumers have access to a greater variety of products with clear price signals to manage and shift consumption, while **mitigating the downside risks that a standing offer with a nationally standardised 'sharer' window that could increase costs to consume elsewhere during the day and have knock-on effects on the price of other offers in market**. Having broader availability of market offers will mean households will be able to select the products that best suit their individual needs **without creating inequities** that uniform standing offer products could introduce, or uniformly driving up costs elsewhere in the cost stack.

Key considerations:

- Longer, phased implementation to reduce risk and allow iterative learning
- Negative wholesale prices are not consistent or uniform across regions, nor consistently aligned with network tariff structures. The SSO design as drafted, may anchor this offer without reflecting evolving market realities and drive costs up for households
- Utilising alternative mechanisms, such as market offers to deliver cheaper and more efficient SSO

[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.

General comments

Powershop welcomes the opportunity to contribute to this consultation and supports the intent of increasing household access to renewable energy. Harnessing abundant solar generation during periods of minimum demand is central to controlling increasing network costs and delivering lower-cost cleaner energy to households and businesses. We agree with the intent of the SSO for more consumers to benefit from solar at times of abundance, however, more caution is needed to ensure system integrity, equity and cost reflectivity.

The energy market is continually evolving to deliver innovative, affordable, consumer-centric energy offers. Market forces and targeted regulatory support such as the Cheaper Home Batteries Program are driving down the cost of firming assets that are helping to solve critical issues. Retailers are also developing and offering innovative products that help consumers lower bills and respond to renewable generation signals, including market offers that provide solar soaker windows like those proposed under the SSO. Competition has driven these outcomes without the need for prescriptive intervention.

The SSO as currently drafted, ignores non wholesale cost components that make up the price of energy and by design could exclude vulnerable consumers who cannot shift usage due to inflexible work schedules or lack of enabling technologies such as appliance timers or batteries. If this policy proceeds, complementary measures will be essential to minimise harm and broaden participation. These could include targeted assistance programs and technology enablement initiatives to ensure consumers who stand to benefit most are not left behind.

Our submission outlines key considerations under the following areas:

- **Implementation timing and market readiness** – a longer implementation timeframe is needed along with a phased approach to reduce risk, ensure customer benefits are realised and allow iterative learning
- **SSO design and market risks** – wholesale market alignment of "solar sharer" windows and, critically, alignment with network tariffs
- **Technical and engineering constraints** – ensuring compatibility with network limits to avoid costly upgrades that drive up network costs that erode the benefits of the scheme

Powershop urges a cautious, data-driven, customer-centric, and regionally appropriate approach. A phased rollout aligned with network capabilities and market readiness is essential to avoid unintended consequences and ensure the policy delivers on its objectives without compromising system stability or consumer outcomes. Critically, underlying network tariffs must be aligned with the defined "free" windows. This would ensure that solar sharer windows are aligned with lower price intervals (correlated to high solar export periods) in the wholesale market and off-peak solar soaker network tariffs that reinforce the intended outcomes. Without alignment it is likely that tariffs outside these windows are likely to be unnecessarily high to enable cost-recovery for the mispriced sharer windows.

Powershop thanks the Department for the opportunity to provide comments on this matter. If you would like to discuss any part of this submission, please contact Brett Crossley a[redacted]

Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs and Compliance

Implementation timing and market readiness

Powershop is concerned that the proposed July 2026 implementation date does not allow sufficient time for:

- **Designing and testing robust IT system architecture** for what is likely to be highly complex compliance
- **Aligning network tariffs** and the proposed SSO windows
- **Full assessment of cost and experience implications** of implementing the SSO that will impact customers that take up the SSO
- **Adjusting hedging strategies,** particularly as many retailers have already taken forward positions based on current market settings and in line with the Retailer Contracting approach under the Default Market Offer (DMO) and Victorian Default Offer (VDO)
- **Developing industry-wide plain language/product disclosure statements and other retailer-specific processes or communication material to reduce consumer confusion** and ensure compliance, in conjunction with DMO and standing offer obligations.

Mandatory implementation without adequate lead time introduces significant financial and operational risk for all retailers, and more acutely for smaller retailers. Fair or reasonable use policies must be put in place to prevent excessive consumption and avoid undermining the intent of the policy, and drive up inequity over the medium to long run. As they are inherently complex, difficult to enforce, and can negatively affect the consumer experience, careful consideration will be needed to determine how fair use provisions are operationalised and calculated, as well as their broader impact on energy consumers.

In terms of hedging strategies, retailers have already taken positions for the post-July 2026 period that do not account for the mandatory provision of a standing offer SSO. We strongly recommend a "start small and simple" phased approach, allowing for iterative learning and adaptation. This will reduce the risk of retailer failure (particularly small retailers) and ensure a more stable introduction of these products. A phased approach would also allow for a more orderly Accelerated Smart Meter Rollout and thus provide universal access to a SSO or equivalent market products and improve equity in access.

SSO design and market risks

Wholesale cost reflectivity

While we acknowledge the simplicity of a standard SSO window, we caution against a national, one-size-fits-all, approach. Given the intent of the SSO is to give all households access to solar production, it is critical that 'solar sharer' windows genuinely reflect the availability of solar in the local area from which power is drawn. Regional variability in solar generation profiles, along with varying network capacity constraints, mean that a nationally uniform window may not be feasible or efficient across all jurisdictions, quarters or distribution areas.

Table 1. Lowest three-hour period by state and quarter - 10 November 2023 to 10 November 2025

State	Quater	Average Spot Price ($/MWh)	Start Time	End Time
NSW1	1	$32.25	9:25	12:25
NSW1	2	$46.33	10:20	13:20
NSW1	3	$22.26	10:50	13:50
NSW1	4	$30.61	8:35	11:35

QLD1	1	$23.36	9:25	12:25
QLD1	2	$9.40	10:00	13:00
QLD1	3	-$7.33	10:45	13:45
QLD1	4	$3.24	9:35	12:35
SA1	1	-$26.34	10:55	13:55
SA1	2	$48.20	11:40	14:40
SA1	3	$7.24	11:25	14:25
SA1	4	-$25.30	11:50	14:50
TAS1	1	$55.33	9:45	12:45
TAS1	2	$92.22	10:35	13:35
TAS1	3	$69.37	11:25	14:25
TAS1	4	$28.92	11:25	14:25
VIC1	1	-$16.00	10:15	13:15
VIC1	2	$51.34	11:15	14:15
VIC1	3	$20.82	11:20	14:20
VIC1	4	-$29.07	11:15	14:15

Source: Shell Energy analysis of AEMO spot price data

While the intent of the SSO assumes every day has, and will continue to have, excess solar generation (which is demonstrably not the case), it may also pervert market outcomes. Wholesale market data demonstrates that there is a lack of uniformity in times of low or negative wholesale prices and signal an excess of renewable generation available to drive the load shifting incentives of the SSO.

Table 1 demonstrates the variability in the lowest three-hour average spot price windows across DMO regions and Victoria. Both New South Wales and Tasmania consistently see positive average spot prices significantly above $20/MWh in their lowest periods. Though the average spot price in Queensland was positive for three out of the four periods over the year, with Q1 above $20/MWh, it was below $10/MWh for three quarters (including Q3, when prices are on average negative). Victoria and South Australia had the most negative price periods (two of four on average) and stronger positive prices in Q2 and Q3.

The above analysis only considers a three-hour window; price outcomes would vary widely if different window lengths were taken into consideration. Further, it does not take into consideration how demand shifting may impact prices, especially if batteries and other consumer energy resources increased load during the first hour of the period (and potentially reached capacity constraints for the remainder of the period).

The scheduled closure of coal assets such as Yallourn in 2027, falling prices for large-scale generation certificates (LGCs), and the rapid uptake of domestic battery systems are likely to create unpredictable impacts on the wholesale market.

While negative wholesale price events do occur, they are significantly complex to forecast and manage because they are neither consistently timed nor uniform across states or seasons, ultimately increasing hedging costs, for retailers. Designing a mandatory standing offer on the assumption that negative price events are persistent, enduring and/or regionally consistent would misrepresent market reality and could artificially inflate retail power prices outside the designated sharer windows. Likewise, wholesale costs are only one component of the energy cost stack and other costs, such as network costs, ancillary service charges, market fees, certificate schemes, and Renewable Energy Target compliance, continue to apply and need to be recouped.

Demand considerations

Consideration should be given to the SSO as an interim measure rather than a permanent solution, given structural shifts in the market, ensuring that implementation and operational costs are kept to a minimum.

Growing adoption of home batteries and electric vehicles may begin to soak up excess solar supply in the middle of the day and may begin materially shifting the solar duck curve and eliminate negative pricing during these periods. Introducing a SSO during this transition period may require an additional mix of flexible and scheduled assets to dispatch to meet the growing volume of variable demand over these timeframes.

This may push demand higher than the available surplus of renewable supply, even when prices remain positive or weather reduces solar output. In such cases, a SSO could inadvertently shift consumption to more carbon-intensive periods than anticipated or promoted.

Likewise, the steady decline in solar feed in tariffs (FiT) has eroded the value in installing new solar systems which may begin to impact wholesale price outcomes. The combination of these impacts could fundamentally shift the market conditions that underpin the SSO. There is also an impending retirement of baseload capacity which may drive wholesale prices higher across all hours, including periods where solar generation is abundant.

The energy transition pathway is proving to be anything but linear and smooth. Developing the right mix of market solutions that unlock the most value for energy consumers will involve a degree of trial and error and therefore requires any policy interventions to be measured and carefully applied. With any potential policy solution, giving retailers flexibility to respond to changing market conditions would help manage unintended consequences. Unnecessarily rigid or simplistic solutions may lock in sub-optimal outcomes or create barriers to the experimentation needed to achieve desired outcomes.

Design and delayed implementation

Powershop urges the department to consider transitional arrangements to give retailers time to build capability, adapt hedging positions and support competition and innovation. A staged approach could avoid the risks of a rushed implementation. Beginning with a twelve-month delay may be a first step in that approach. This would also allow incremental retailers to invest in developing the capability to develop more effective time of use market offers, minimising operational risk and complexity to deliver on this objective. Over time, there could be scope to standardise the product and, if appropriate, consider a regulated option.

Alternative approach

The purpose of the standing offer is to provide a simple, clear, backstop mechanism for households that do not or cannot engage in the market. It was never the intent for this mechanism to be used to introduce new products or require customer engagement to access.

Rather than rush the implementation of a new regulated standing tariff, the department may wish to explore how it can encourage the development of market offers with specific attributes that align with its objectives, to provide greater flexibility to tailor participation to customers and regions where it is technically feasible. This could allow for more considered design which will reduce the risk of unnecessary network investment and cost recovery from the broader customer base. This avoids the complexity and cost of maintaining system reliability under a uniform SSO standing offer, which could trigger additional network investment and higher tariffs for all consumers, including those unable or unwilling to participate.

The same objective of giving more households access to solar energy during defined periods could be achieved through alternative mechanism such as a requirement for retailers to have a SSO-type offer available to their customers. Under this approach, a market offer, which is already highly regulated with broad consumer protections in place, would provide the foundation for consumer access, while offers – such as VPPs or products with different windows or peak rates – provide households with more options. These offers could appeal to customers who want to take advantage of price signals when renewable generation is high and cheap but may not have the means, lifestyle or ability to invest in technology to align usage within standardised windows.

While Powershop supports mainstreaming time-of-use offers to encourage load shifting and reduce bills, mandating a standing offer SSO would add significant complexity to the role of standing offers, which have

historically served to protect disengaged consumers. It would require engaging households to determine preferences, increasing call handling times and compliance risks. Retailers would need to explain complex concepts like load profiles and shifting consumption to customers who may have not typically engaged or been interested in load shifting.

Technical and engineering constraints

If the SSO proceeds as drafted, then networks must be compelled to have aligned tariffs, supported by the AER, for a SSO to be successfully implemented. If this is not possible by the commencement date, then there should be a suspension of Distribution Use of System charges by networks over the 'sharer' window.

There must be scope in the rules for the AER to reopen determinations in order to create new tariff structures and compel networks to support market reforms that align with regulated retail products.

The success of the SSO depends on existing network engineering limits and alignment with underlying network tariffs. Our experience with innovative load-shifting programs, such as program-controlled hot water, showed that large-scale load shifting is limited by network engineering constraints. These constraints meant that only a subset of customers could consistently shift load without breaching technical thresholds set by networks in certain regions. If there are barriers in a relatively modest demand shift program, they would be multiplied if widely adopted at scale across the NEM. The engineering limits to preserving reliability must be explicitly considered in the SSO design to avoid triggering costly network upgrades that may quickly erode the intended benefits. Under the standing offer framework, a SSO will not be agile to these developments.

It is equally critical that network tariffs are aligned to the SSO windows in each region. Avoiding the need to recover network costs incurred during the 'free' power window will protect households from higher prices outside these times. This will protect households that need time to adopt load shifting behaviour from incurring higher prices. Likewise, households that do not or cannot shift their load will not be better off compared to a flat rate standing offer.

Network tariffs must support retailers to develop and offer innovative products. Developing new product offerings is functionally limited by the underlying network tariffs available that can help solve real, evolving problems. For example, there may be a use for using weather forecasts to notify customers weekly of upcoming solar soak windows to ensure that offers align with actual solar availability. In order to capture emerging upside opportunities, it is becoming increasingly important to be able to genuinely co-develop network tariffs with distribution network service providers (DNSPs) so that they are sufficiently responsive and capable of aligning with novel market offers that help households reduce their energy bills. Closer engagement and alignment with networks to support new product development, such as market offer SSO, would ensure that the downside risks are managed and that the upside benefits are shared and importantly flow to energy consumers.