



16 June 2021

Ms Kate Symons
Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne, Victoria, 3000

Lodged online: www.engage.vic.gov.au

Dear Ms Symons

RE: Victorian Default Offer price review 2022

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the approach that the Essential Services Commissions Victoria proposes to take for the 1 January 2022 Victorian Default Offer determination.

About Shell Energy in Australia

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of gas, electricity, environmental products and energy productivity for commercial and industrial customers. The second largest electricity provider to commercial and industrial businesses in Australia¹, we offer integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised relationships. We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120 megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

www.shellenergy.com.au

General Comments

The Commission is seeking feedback on the length of the 2022 Victorian Default Offer (VDO) regulatory period so that it can be aligned with the new regulatory period for the Victorian network businesses, to start on 1 July 2021. The Commission has proposed two options for the length of the VDO regulatory period starting 1 January 2022 – six months or 18 months.

As a retailer for small business customers in Victoria it is Shell Energy's preference that the length of the 2022 VDO be 18 months. While we note the Commission's concerns that an 18-month period may pose a greater risk of estimates of efficient costs diverging from VDO estimates, we consider that this risk can be suitably managed so small business customers are protected.

A greater concern for Shell Energy is the number of price changes occurring for our small business customers, who are on the Victorian Default Offer, within an 18-month period. These customers will likely already have had three potential price changes - 1 January 2021, anticipated 1 September 2021 and 1 January 2022. If the 2022 VDO regulatory period is only for six months, these customers may also have a further price change on 1 July 2022.

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 2011-2020.



This creates complexities, uncertainty, and confusion for our customers with regards to their energy price which is outside a retailer's control. It also provides excessive regulatory burden and operational costs for retailer's in having to provide bill change notices, change bill messages, create new factsheets, and ensure information is Gazetted, multiple times in relatively short periods.

Shell Energy considers that small business customers on the VDO should be afforded the same level of protections as those on market contracts, in that they are provided with the benefit of price certainty. It is our view that an 18-month regulatory period for the 2022 VDO will better meet the Victoria Government's objective to make the electricity market simpler for all consumers and will continue to re-build customer confidence in the energy market.

We welcome the opportunity to discuss our submission further. Please contact Carmel Forbes at carmel.forbes@shellenergy.com.au for any queries regarding this submission.

Yours sincerely

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