



23 May 2022

Sarah Sheppard
Executive Director
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Dear Ms Sheppard

RE: Variation of Shell Energy Retail Pty Ltd's electricity and gas retail licences

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the further consultation on the variation of Shell Energy Retail Pty Ltd's electricity and gas retail licences.

About Shell Energy in Australia

Shell Energy is Shell's renewables and energy solutions business in Australia, helping its customers to decarbonise and reduce their environmental footprint.

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 more than 185,000 households and small business customers in Australia. Shell Energy Australia Pty Ltd and its subsidiaries (including Shell Energy Retail Pty Ltd) trade as Shell Energy, while Powershop Australia Pty Ltd trades as Powershop.

As the second largest electricity provider to commercial and industrial businesses in Australia¹, Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised relationships. The company's generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Further information about Shell Energy and our operations can be found on our website [here](#).

General comments

Shell Energy appreciates the Essential Services Commission (ESC)'s efforts to consider the concerns raised on the proposed licence changes. Whilst we remain of the view that the inclusion of clause 9.4 of the Standard Electricity licence Conditions, and clause 10.4 of the Standard Gas licence Conditions are unnecessary for the large customer cohort, we recognise the ESC's has made changes to address our concern with respect to the obligations being beyond that of existing small customer protections.

However, it is not clear what purpose the strict timing requirements of sending the expiry notice "no sooner than 40 Business Days before" serves given the relevance of wholesale market price settings in the timing of

¹By 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.

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commercial and industrial customer offerings. We reiterate our previous comments and remain concerned that the timing requirements of the expiry notice as drafted ignores the flexibility required for the large customer group and request that the words “no sooner than 40 Business Days before” be removed from the clause. Alternatively, we suggest that the customer should be able to agree a different time period for this notice that suits its needs and request that the words “Unless otherwise agreed by the Customer that is not a Small Customer” at the start of the last paragraph of clause 9.4. of the Standard Electricity Licence Conditions, and clause 10.4 of the Standard Gas Licence Conditions.

With respect to the requirements for the notice of variation to tariff or contract terms and conditions, we welcome the ESC’s amendments to allow for the required flexibility of notification preferences of the large customer cohort.

We also appreciate that the ESC has made our suggested amendments to clarify of the intent of clause 9.1(iv) Clause 9.1 (iv) of the Standard Electricity Licence Conditions, and Clause 10.1(iv) of the Standard Gas Licence Conditions. These changes clarify the application to information expressly required to be provided to Customers that are not Small Customers under the Act, ESC Act or any Code of Practice or guideline issued by the ESC.

Use of System Agreements

We have a concern with the wording of clause 8.2 of the Standard Electricity Licence conditions for Electricity Retail pertaining to Use of System Agreements. This requirement places an obligation on a licensee to not unreasonably refuse to accept the Distributor’s offer of a new form of Default Use of System. We see a risk that this potentially affects a Retailer’s ability to negotiate Use of System Agreements with Distributors and may result in a Retailer being required to replace an existing negotiated agreement with the Distributor’s default Use of System Agreement. We propose that this clause should be amended to make it explicitly clear that it only applies to where the existing agreement between the Retailer and Distributor is the Distributor’s default Use of System Agreement.

Further comments

We wish to comment on the implementation of new obligations that may eventuate from this review. In particular, the requirements around contract expiry notification (under clause 9.4 of the Standard Electricity Licence Conditions, and clause 10.4 of the Standard Gas Licence Conditions) will require systems support to be able to manage notices within the strict required timeframes. This is a significant change to our recontracting processes that are largely managed through the relationship with brokers and directly between our large customers and their specialist account managers. Our IT resources are considerably strained and under immense pressure at present, particularly with resource fulfilment challenges and the perpetual cycle of market reform work taking priority.

We ask that we are provided with a reasonable timeframe to implement any new notification requirements to our large customer cohort given the current IT pipeline is full until mid-2023. We see no adverse market failure or any prevalence of customer concern on our recontracting processes, and as such we believe a reasonable implementation timeframe to mid-2023 will not cause customer harm.

Should you wish to discuss this submission further, please feel free to contact me on [REDACTED]

Yours sincerely

[REDACTED]
General Manager Regulatory Affairs and Compliance