



30 May 2024

Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000  
Reference: ERC0378

Lodged email: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Dear AEMC,

## RE: Draft Rule Determination – Accelerating Smart Meter Deployment

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Draft Rule Determination (Draft Determination) in response to the rule change request for accelerating smart meter deployment, published by the Australian Energy Market Commission (AEMC) on 4 April 2024. We understand that the rule change request is seeking to implement recommendations made as part of the Review of the Regulatory Framework for Metering Services (the Review), which was published by the AEMC on 30 August 2023<sup>1</sup>. The rule change request has been fast-tracked, reflecting the consultation carried out during the Review and the proposed rules in the Draft Determination would commence progressively, beginning 25 July 2024.

### 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 households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia<sup>2</sup>, Shell Energy offers integrated solutions and market-leading<sup>3</sup> 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.

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<sup>1</sup> <https://www.aemc.gov.au/marketreviewsadvice/review-regulatory-framework-metering-services>

<sup>2</sup> By load, based on Shell Energy analysis of publicly available data.

<sup>3</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.

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## General Comments – Accelerated Smart Meter Deployment

Shell Energy understands that feedback from this consultation will inform the next round of consultation and drafting of rule changes which have been outlined in the Draft Determination.

Whilst we are broadly supportive of the AEMC's approach to the implementation of an accelerated smart meter deployment, Shell Energy have two main concerns with the proposed changes outlined in the Draft Determination and have provided more information below. We strongly believe that the customer notification period should not be extended and that the AEMC undertake a review of the data retention provisions for retailers.

Shell Energy representatives attended a briefing session held by the AEMC on 2 May 2024 where the AEMC provided a high level overview of the process for this rule change request, and then answered questions raised by stakeholders. We appreciate the effort from the AEMC in taking the time to organise this briefing session and welcome the opportunity for engagement in future sessions.

Thank you for the opportunity to provide our feedback below.

## Customer Notification Period – price changes

This section outlines the draft rule would enhance notification requirements ahead of any changes to retail pricing structures. The draft rule proposes that, following a smart meter deployment during the LMRP period, retailers would be required to undertake a range of notification actions ahead of any changes to retail pricing structures. These include:

1. The retailer must issue a notice at least 30 business days before any variation in the tariff is applied to the customer.
2. The retailer must specify that the customer can request an estimate of what their historical bill would have been under the varied tariff compared to the bill they received under the existing tariff (to the extent that the customer's smart meter data is available).
3. The retailer must provide supporting (generic) information to the customer on how to:
  - a. understand and monitor their usage (such as apps, web portals, or in-home displays); and
  - b. manage their usage to be rewarded for responding to price signals under the new tariff structure (such as ways to shift consumption).

Shell Energy are highly concerned with the advance notification period being extended to 30 business days and strongly urge the AEMC to consider this notification period remain unchanged. The objective stated by the AEMC is for consumers to benefit from earlier and better-quality information ahead of changes to retail pricing structures. Whilst we support this objective, we believe that retailers can already effectively manage information provision to assist the customer in this decision making, rather than extending the notification period to 30 business days. Further, we strongly do not consider that retailers should be levied with the unmanageable risk of tariff mismatch with the Distributor or burdened with the costs of overhauling billing systems that use the network code from within the market system MSATs to accurately bill customers.

Finally, we believe that the notice period crosses over other notification obligations around price change which may make correspondence with customers complex and onerous to manage and may create confusion for customers.



## Distribution Use of System tariff mismatch

Retailers should be able to align their tariffs to the underlying network tariff to ensure that they can adequately and fairly recoup costs. Any unintended misalignment between retail and network tariffs can mean retailers are unable to recover costs for the duration of the misalignment. With network tariffs representing the greatest component of retail tariffs, the impact of this can be significant. An outcome of extending the advanced notice period to 30 business days is that there will be a tariff misalignment during the period where the DNSP has changed the network tariff and the retailer is unable to bill the customer for this tariff change due to the notification period requirements. When this misalignment is on a mass scale and encompasses high consuming customers, the risk of this misalignment multiplies to an unacceptable level. Shell Energy see this as unreasonable and do not believe a retailer should have to absorb the cost difference during this period without any means to recoup these costs. This example has been outlined below at Scenario 1.

## Compliance burden

Complexity and inconsistencies in regulations come at a cost to retailers and ultimately customers. We note that the AEMC considered the impact of onerous price change notice periods previously in the Final Determination of Retailer Price Variations in Market Retail Contracts Rule Change. The AEMC concluded that requiring retailers provide a set number of days advanced notice could create additional risks for retailers, where changes in costs occur at short notice. Extracted from page 56 of the Final Determination, the AEMC stated the following:

*“While the Commission considers that advanced notification of price changes should be encouraged as a matter of good customer service by retailers, it considers that a more proportionate response to promote and encourage competition in this practice is to require retailers to be transparent regarding when they will notify consumers of price changes, rather than to mandate advanced notification. The Commission has sought to achieve this through its more preferable final rule. The Commission also notes that requiring retailers provide a set number of days of advanced notice could create additional risks for retailers, where changes in costs occur at short notice.”*

The current period of 5 business days for price changes, which was decided from the AEMC 2018 Rule Determination on Advance Notice of Price changes, is already tight for retailers to comply with. When this determination was made the AEMC ruled against a lengthier advance notification requirement as

*“With five business days’ notice the consumer can put into effect budgeting plans or changed consumption patterns. The consumer can also contact their existing retailer and negotiate a new retail plan that can be put into effect right away”<sup>4</sup>*

Further it was noted that the exemption from advance notice was deemed necessary where a customer’s tariffs or charges change because of a network reclassifying the network tariff class the customer is in. This exception was to address the notification period from the Distributor given the importance of tariff alignment.

At present, retailers are subject to various compliance obligations regarding tariff change notices, depending on the jurisdiction, state, customer type and tariff type. The current rules are complex and costly to manage within systems and operationally. We note the proposed changes further add to complexity, and indeed add to compliance costs, particularly managing inconsistent obligations.

Furthermore, the AEMC’s proposed change will not only require system changes to address the bespoke tariff change notices but may also require a costly overhaul of billing systems if systems rely on the underlying network

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<sup>4</sup>AEMC, Advance notice of price changes, Rule determination, 27 September 2018, page 34



tariff code within the market system (MSATs) to enable billing (particularly in the case of unbundled billed customers). We urge the AEMC to consider the impact of network tariff misalignment being unworkable with billing systems.

Increasing the advance notification period would put undue pressure on retailers to comply with obligations concerning price change notifications under Rule 46 of the NERR and in relation to this proposed transitional rule, whether this is driven through a customer requested meter exchange, DNSP requested meter exchange, or through the meter exchanged as per the LMRP. Please see scenarios outlined below. Examples of this have been outlined below in all scenarios below.

### Cross over of customer notifications

Shell Energy supports enhancing information and transparency to customers so that they can make informed decisions. Further we are mindful that customers require clear and direct notifications on important information such as tariff changes and that cluttering information on notices or having multiple notices may reduce the effectiveness of disclosure and risks customer confusion. This is further explained in Scenario 2.

#### Scenario 1

In the event that a customer requests a change to their tariff, Shell Energy sees the 30 business day notification period as problematic given that a retailer will not be made aware by the DNSP when the tariff is changing. For example, if retailers are required to provide 30 business days notice to the customer, a customer requests a change to their tariff on 2 January and the DNSP completes this on 23 January. The retailer then sends a customer notification on 24 January advising there will be a tariff change taking effect on 7 March. In the meantime, the retailer is absorbing this network tariff cost differential and will need to eventually pass this cost on. We see this causing immense confusion to a customer and it should not be up to retailers to wear the costs due to an administrative change to a tariff.

#### Scenario 2

In the event that the DNSP initiates a tariff change where the customer is currently on a basic meter on a single rate tariff and as per the LMRP, the customer's meter will be exchanged on 9 May. The DNSP sends a market transaction to the retailer for a network tariff change to time of use tariff on 10 May. On 11 May, the retailer is required to send a notification providing 30 business days notice advising that the tariff will change from a single rate tariff to time of use rate tariff on 24 June. Additionally, there is a price change effective on 1 July, whether driven by a change to the Default Market Offer price cap or a retailer-led price change, however, this is not able to be sent when the retailer sends the 30 business day notification because retailers are not aware of the new price as yet. As per the current Rule, retailers would send a price change notice on 21 June, but this notification will still include current tariff until the new tariff takes effect on 1 July. These two changes are unrelated but interact and run simultaneously, which will cause significant impacts to retailers such as increased compliance risk and increased costs. Shell Energy believe this would also cause confusion for customers as they will be receiving conflicting notifications and we do not believe this change will meet the objective it is trying to achieve. Shell Energy also notes that this scenario is not limited to this time of the year, and could apply throughout the year, as retailers can change prices at any time in accordance with the offer terms accepted by the customer.

#### Scenario 3

In the event that a DNSP initiates a meter exchange resulting in a tariff change for a customer for reasons outside of the LMRP ie. faulty meter, we see the 30 business day notice period as problematic and seek clarification on whether retailers would be provided adequate notice of the meter exchange. This is to account for the increased notification period, as retailers will require greater than 35 days notice from a DNSP in advance of the meter exchange, as retailers will be required to provide 30 business days notice for the tariff



change. If there is no obligation on DNSPs to provide additional notice to the retailer, the same situation at Scenario 2 (as above) will occur.

In summary, Shell Energy believes the customer notification period being extended to 30 business days will have a significant impact on retailers in both meeting compliance obligations and increased costs. We see this change leading to outcomes that are disproportionate to the objective that the AEMC is trying to achieve.

We strongly urge the AEMC to consider an alternative approach by aligning the notification period to DNSPs. Unlike retailers, DNSPs, in setting the network tariff will be aware of the network tariff implications for the customer in advance and can provide retailers with an equal or greater advance notice to allow for retailers to initiate system changes for notifications. We do not see any justification for retailers to be left exposed to the network tariff misalignment. If retailers are given advance notice and can align tariffs they would not be wearing significant mismatch costs, and can effectively manage a more lengthier advance notification to customers. In Shell Energy's view, the AEMC must address the network tariff misalignment risk placed on retailers and consider alternative measures to reduce this unmanageable risk before implementing longer advanced notification period requirements and introducing further compliance complexity.

### Data retention requirements – interaction with retail billing obligations

Given the exponential growth in meter data through rules changes such as this, Shell Energy requests the AEMC consider reviewing meter data retention and disposal period obligations on industry. We believe that a review is necessary given the volume of meter data generated by smart meters operating in 5 minute intervals, and request a review of data retention and disposal practices that satisfies the Billing of Retail Customers, Network Billing and Market Settlements obligations (including disputes process and requests for historical data).

The interaction between the meter data and data storage occurs where the current Rules state that retail bills must be based on meter data and a retailer must provide a small customer with historical bill data for that customer for the previous 2 years on request. There is also a provision for historical billing data provided to the small customer for the previous 2 years at no charge, but subject to a reasonable charge where the data requested is for an earlier period<sup>5</sup>. This could be interpreted to mean that retailers are obligated to store meter data indefinitely, in order to be able to provide historical information on request.

Chapter 7 of the NER provides clear time periods for data retention obligations for Meter Data Providers (MDPs) however, there is ambiguity around retailer obligations for data retention periods.

A Shell Energy representative raised this issue at the most recent high level implementation forum on 16 May 2024 and AEMO referred to the data retention requirements for metering data in the NER and suggested we raise this point in our submission. We request the AEMC to review these obligations in the rules, or at least undertake analysis on the impacts to the industry in order to provide more clarity and better understanding for retailers.

### Conclusion

We appreciate the opportunity to provide feedback on the Draft Determination and look forward to seeing the AEMC's response to stakeholder views. We strongly encourage the AEMC to consider the stakeholder feedback provided and continue to engage with market participants. We welcome the opportunity to discuss our submission further.

Please contact Tessa Liddelow at [tessa.liddelow@shellenergy.com.au](mailto:tessa.liddelow@shellenergy.com.au) for any queries regarding this submission.

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<sup>5</sup> NERR, Rule28 (Division 4).



Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs & Compliance

03 9214 9324 – [libby.hawker@shellenergy.com.au](mailto:libby.hawker@shellenergy.com.au)