



2 May 2024

Office of the Tasmanian Economic Regulator  
Level 3, 21 Murray Street,  
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By email: [office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au)

## RE: Wholesale Contract Instrument Draft Report

Shell Energy welcomes the opportunity to provide comment on the Office of the Tasmanian Economic Regulator's (the Regulator) Wholesale Contract Regulatory Instrument (the Instrument) and the Pricing Investigation Draft Report.

### 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>1</sup>, Shell Energy offers integrated solutions and market-leading<sup>2</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. 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

Shell Energy recognises the importance and purpose of the Instrument, requiring Hydro Tasmania to offer a number of regulated contracts to authorised retailers operating in the Tasmanian market. The unique Tasmanian market characteristics should provide a framework that seeks to reflect efficient competitive market outcomes and we are supportive of measures to minimise distortions and allow retailers to manage market risks efficiently.

We wish to provide the following comments on the Instrument:

#### Clause 4.2.1

We have considered the proposal to calculate the Victorian peak swap by applying a quarterly multiplier to the weekly Victorian baseload price at times when there is low liquidity and if there is a period where the current

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<sup>1</sup>By load, based on Shell Energy analysis of publicly available data.

<sup>2</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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ASX Peak contract is delisted, and no replacement exists. Whilst we believe the methodology of using a fixed factor multiplied by the base rate is acceptable and does generally address the issue, we believe further clarity is required around the applicability of any future ASX product available. In particular, we query whether the Tas Peak regulatory product will match any newly defined peak product on the ASX, or how such a new product price will be used.

The ASX have put forward a scenario where existing peak contracts will remain listed, while new products are also listed. We understand that the ASX are considering replacing the existing peak contract with various contract types (such as morning peak, middle of the day and evening peak). It is unclear how these changes will apply or how these new product prices will be utilised. Whilst we understand these new products may not be yet fully defined, we would welcome further clarity from the Regulator on scenarios such as the foreseeable introduction of new ASX contracts.

#### Clause 4.2.4

Shell Energy strongly supports the proposal under this clause, that is, that the Tasmanian baseload cap price equals the lesser of the Victorian baseload cap price and the price calculated using the current baseload cap price formula in clause 11.1 of the Instrument. We agree that there is no justification as to why Tasmania cap prices should be higher than Victorian Cap prices considering the role of gas peaking to meet Victoria's peak capacity. Tas Cap prices have been prohibitively high, especially in the winter quarters compared to the Victorian cap levels. In our view, capping the price at the Vic Cap level will increase market interest and make the product a more beneficial risk management tool.

#### Further recommendation

Shell Energy considers there may be opportunity for the Regulator to make improvements with respect to transparency of information, to assist trading teams interacting in the market. In particular, it would be useful to understand, and be provided with, information on where inputs are derived from and where to locate them. Ideally, we would like all inputs which are not ASX-data or AEMO-data based to be clearly accessible on the website in a readable format (e.g. CSV). Currently Shell Energy teams are required to extract information from a PDF, that is the "hydro yield" input information which is not easily accessible on the website and is currently not in a user-friendly format.

Thank you for the opportunity to provide feedback. If you have any questions in relation to this submission, please contact me.

Yours sincerely

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