THE CENTRE FOR INDEPENDENT STUDIES

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24 November 2025
Mike Kaiser
Secretary
Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601
Submitted via SolarSharerOffer@dcceew.gov.au

RE: Submission to DCCEEW's Solar Sharer Offer Consultation Paper 2025-26

Dear Mr Kaiser,

The Centre for Independent Studies (CIS) welcomes the opportunity to respond to the Department of Climate Change, Energy, the Environment and Water's *Solar Sharer Offer Consultation Paper 2025-26*.

The CIS is a leading independent public policy think tank in Australia. It has been a strong advocate for free markets and limited government for almost 50 years. The CIS is independent and non-partisan in both its funding and research, does no commissioned research nor takes any government money to support its public policy work.

CIS does not support the introduction of the Solar Sharer Offer. As set out in the following submission, the SSO is an unnecessary market intervention that will likely increase costs and risks for electricity consumers who have the least capacity to manage them. However, in the course of our submission, we have made recommendations that will minimise the negative impacts of this proposal. Our responses should not be taken as constituting support for the proposal overall.

Yours sincerely,

Aidan Morrison
Director of Energy Program
Centre for Independent Studies
Email: amorrison@cis.org.au

1. What evidence should inform the SSO window (timing and duration), including factors such as wholesale prices, renewable generation output, demand trends and local network condition?

Timing of the SSO window should not be mandated by the AER, as this is likely to result in inefficient outcomes if the window does not correspond with the period of negative wholesale prices and lower network tariffs for each area of the network. Timing should be determined by each retailer, which can tailor the offer to its particular set of customers.

2. How should the effectiveness of the SSO be evaluated over time, noting its multiple objectives (e.g., ensuring SSO take up, and reducing bills for customers without access to CER)?

5. What key metrics or indicators should be used to measure the effectiveness of the SSO postimplementation in terms of impacts on affordability, equity, consumer empowerment and changes in demand?

The proportion and amount of network charges paid by rooftop solar users versus SSO customers versus those without rooftop solar not on the SSO should be monitored. This can be used to measure the impact on affordability and equity across consumer categories. If those without rooftop solar who are not on the SSO are paying increasing network charges (both proportionally and in dollar terms), the SSO will have failed to meet the objective of reducing bills for customers without access to CER.

The change in load profile of customers before and after choosing to be placed on the SSO, and particularly whether any change in contribution to annual maximum peak demand has occurred, will provide a key metric for measuring changes in demand. Given annual maximum peak demand drives network upgrade costs, as opposed to daily peak demand, it is the former that should be used as a metric.

The consultation paper states the SSO will restore "a sense of control — allowing households to align their energy use with their lifestyles and financial priorities while supporting renewable generation." However, relying on large numbers of customers to take up the SSO and drastically change their energy usage patterns does not empower households. Rather than aligning consumers' energy use with their lifestyles, this policy shows expectations that consumers will align their lifestyles with their energy use in support of rooftop solar; which, in the case of non-solar households, is actively contributing to their bills increasing.[1]

3. What benefits should be expected from the introduction of the SSO? How can risks to customers who choose the SSO but are less able to shift their energy usage be identified and mitigated?

The SSO is unlikely to introduce benefits that could not be achieved through existing retailer offers. It risks consumers who are less flexible (e.g. who work normal office hours away from home) choosing the offer and ending up with higher bills.

The consultation paper states:

> An SSO will lower system costs through smoothing the consumption profile over the day. This delivers savings and efficiencies in network capacity. Retailers could also benefit from lower hedging and risk management costs as the shift in consumption patterns could reduce price levels and decrease volatility.

Unless consumers *en masse* adopt the SSO and shift consumption away from the evening peak as a result, these network savings will not materialise. If the SSO successfully shifted behaviour and reduced retailers' hedging costs, one would expect more retailers to offer an SSO because retailers who did would have a competitive advantage over those who did not. Given 'free-period' offers have been limited to only a few retailers thus far, this suggests retailers do not consider they would receive material benefits from reduced risk by offering an SSO.

The consultation paper further states, "Retailer-led products offering free or discounted daytime usage windows have already emerged, signalling both consumer appetite and commercial feasibility for a regulated, standardised approach." The emergence of a handful of 'free-period' offers does not mean there is substantial consumer appetite for such offers, or that these offers are commercially feasible for all retailers if they were to be regulated and a price cap set. No evidence has been provided that forcing all retailers to offer a regulated SSO will result in greater benefits than allowing the market to provide these offers where there is appetite and they are commercially viable. In fact, this approach increases regulatory risk for retailers without providing material corresponding benefits for consumers. Government interference is more likely to kill innovation than promote new offers that will benefit consumers, given such offers have already begun to emerge in the market.

The consultation paper also states:

> Other jurisdictions, including Western Australia, regional Queensland, and the Northern Territory, have similar low-cost tariffs or zero cost with restricted availability, highlighting the need for a more consistent national approach… These features highlight both the flexibility and the inconsistency of current market-led approaches.

Flexibility of offers across retailers goes hand in hand with inconsistency, which is a valid feature of the electricity market. Removing the flexibility of retailers to provide offers as they see fit for their commercial operations and customer preferences prevents consumers enjoying the benefits of market competition, resulting in poorer outcomes. Each state has different levels of rooftop solar penetration and usage patterns. A 'nationally consistent' approach is therefore inappropriate and unlikely to provide benefits to consumers.

4. Are there likely to be any practical constraints on certain customer cohorts who could benefit from an SSO being able to accrue those benefits through increasing their consumption in the SSO window?

Yes. The consultation paper states, "Consumers are incentivised to run appliances like dishwashers, washing machines, or charge EVs during those times". However, consumers who drive their EV to work will not be able to charge during the free period. Also, consumers who work during the day are unlikely to be willing to let their washing sit in the washing machine for several hours. This means most consumers are unlikely to be able to shift usage other than timing their dishwashers to switch on during the free period, which represents a very small reduction in overall energy use during peak periods.

The consultation paper also suggests "households could move hot water heating to these times… This shift would help reduce demand during peak periods which should put downward pressure on system costs during these periods". This is unlikely to materially reduce peak demand. The majority of consumers with electric hot water heating (500,000 out of 900,000 in the Ausgrid network) have their hot water system connected to a controlled-load tariff, which switches on outside peak times (e.g. overnight).[2] While hot water heating can be shifted to peak solar hours, doing so would require those on continuous electricity supply for their hot water to change to a daytime controlled load tariff to avoid usage during the evening peak. This may not be feasible or cost-effective for the three-quarters of customers on continuous electricity supply for their hot water who live in apartments,[3] as their hot water systems are typically sized for continuous heating and would run out quickly in the evening if forced to only heat during the day and/or overnight. These customers would have to buy larger hot water systems that can be run on a controlled load tariff, which would be costly, may not be able to fit in their apartment and would not be a desirable option for landlords, who do not pay the electricity bills for renters who might benefit from shifting usage to off-peak times. This means the cohort of customers who have continuous water heating and do not live in an apartment — and therefore could reduce evening peak demand through shifting to a controlled load tariff — represents only 7% of all customers. Of these, many will not be able to shift enough usage of other appliances to the free solar period to make the SSO worthwhile and/or will not want to purchase a larger hot water system, so the shift in water heating patterns arising from the SSO is likely to be immaterial to network costs.

5. Should the SSO standing offer be more expensive outside the zero-cost usage window than current rates to further incentivise shift load? If so, should there be any constraints on costs outside of the zero-cost usage window to protect customers who have chosen the SSO, but are unable to load shift?

3. What principles should guide how the AER (and relevant state regulators) set SSO standing offer prices, including how to reflect the $0 per kWh usage window without distorting costs or creating excessive cross-subsidies?

The introduction of a $0 per kWh window that applies every day, regardless of the actual cost of wholesale electricity, will create the potential for a severe cross-subsidy, by increasing overall system costs substantially on occasions where the free window occurs at times when electricity supply is constrained, and prices are high. This effect may become acute in the event of a significant increase in the number of consumers who own home batteries, or EVs that can charge regularly within this window.

While *on average* wholesale prices during the day are decreasing, there are still regular occasions (particularly in NSW) where prices are positive. There are also frequent occasions where prices are prone to spikes and rise significantly above average. Encouraging people to maximise electricity usage during times when prices are high, and prone to spiking, significantly increases retailer risk and hedging costs, which must be recovered from the consumer base.

The uptake of consumer energy resources that include home batteries or EVs is projected to increase, particularly in light of recent subsidies. Charging home and EV batteries can potentially

dominate all other electricity consumption of a household, even within in a three-hour window. For instance, home EV trickle-chargers around 2-4kW may already exceed the average power draw of a typical household, which is around 15kWh per day, or a bit under 2kW. But with more home chargers being installed with 7 or 11kW chargers, an EV being charged could draw more power in three hours than the rest of the household would over a 24-hour period. A typical Powerwall can draw approximately 5kW from the grid, which means a 13kWh Powerwall could fully charge from flat every day within the proposed free window.

Households that can afford a home battery and/or an EV could reduce their consumption charges to almost zero, even without solar panels. This would substantially increase existing cross-subsidies from households without solar, because most fixed network costs are passed on through volumetric usage charges — which retailers cannot recover during the free window.[4] This would mean the costs must be recovered from other consumers, or the same consumers at different times or through different charges. To avoid forcing large cross-subsidies onto other customers, fixed daily charges would need to increase substantially.

If the uptake of electric vehicles and consumer energy resources scales in the way that is projected in AEMO's Integrated System Plan — with the vast majority of electricity users having a battery, EV or both — having a completely free window would cause a large part of the consumer demand to cluster in that free period. This could cause overall demand to spike in the free window, creating major pressures on the grid — especially on days when rooftop solar output is low or demand is otherwise high. The events on 22 October 2025 in NSW provide an illuminating case study concerning system issues the SSO could be in danger of exacerbating. This day was particularly hot with very high load in Sydney, but also very windy, however with wind output south of Sydney flowing into Victoria due to transmission limitations.

During the morning, AEMO forecast a price spike around 2:30pm (Figure 1). This is well prior to forecast peak demand, and at a time when solar output is normally very high; quite likely within the bounds of the proposed SSO free window.

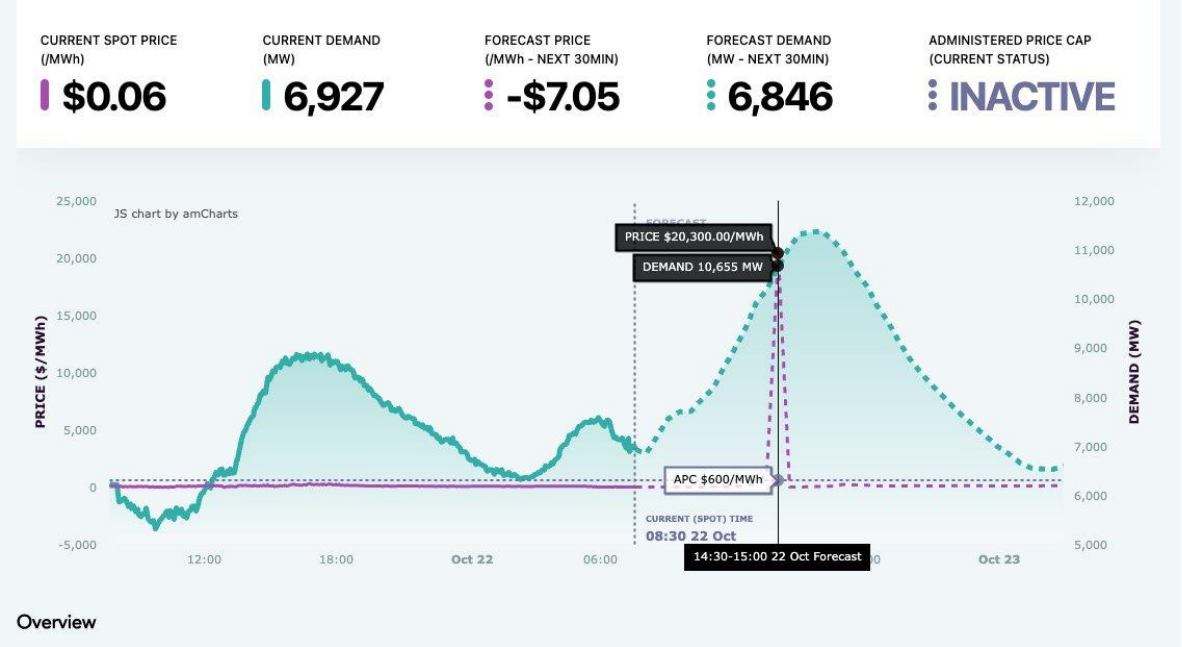

Figure 1. Electricity spot prices ($/MWh) on 22 October 2025 in New South Wales were forecast to spike at 2:30pm, prior to forecast peak demand.

The price spike didn't eventuate, but around this time, the prices were well above average, approaching nearly $230/MWh (Figure 2).

Back Price Demand - NSW1

	Price	Dmd	Avail
Wed 15:00	-11.04	9,657	14,597
Wed 14:30	-27.01	9,617	14,676
Wed 14:00	228.89	9,216	14,059
Wed 13:30	201.75	9,044	13,728
Wed 13:00	120.09	8,311	13,346
Wed 12:30	-5.89	7,411	13,409
Wed 12:00	-11.00	7,045	13,450
Wed 11:30	-7.05	6,863	13,640
Wed 11:00	-7.65	6,859	13,496
Wed 10:30	0.01	6,460	13,212
Wed 08:30	0.06	6,467	12,691
Wed 08:00	-0.74	6,794	12,439
Wed 07:30	0.78	7,223	12,303
Wed 07:00	-7.07	7,467	12,022
Wed 06:30	54.37	7,429	11,514
Wed 04:00	57.06	6,320	11,101
Wed 03:30	47.90	6,289	11,058

Figure 2. Electricity spot prices ($/MWh) in New South Wales were much higher than average mid-afternoon on 22 October 2025.

At multiple points during the day, the Market Operator intervened in the market, because there were substantial counterprice flows, with NSW exporting expensive electricity to Victoria, which had negative prices at this time. The interconnector in Victoria had to be clamped to limit the financial damage this caused.[5]

Interventions such as this are becoming increasingly common on this interconnector.[6] They arise due to the very significant concentration of NSW wind production in Southern NSW, around Canberra and south of Sydney, which routinely put significant strain on congested transmission links into the south of Sydney. In response to the Draft 2024 ISP, Transgrid issued a substantial request to AEMO that the Sydney Ring South project become actionable[7] but this project has since been delayed.[8] This means it is unlikely to result in delivery of substantial new capacity to relieve congestion on Line 39 until 2033-2035, according to Transgrid's letter.

The government should seriously consider the implications of creating a large and structural incentive for people to increase their power consumption at times such as this, when the energy system has struggled to deliver enough energy into the load centre of Sydney. It is likely that a marginal increase in grid demand within the load centre of Sydney could have resulted in substantial price spike events, which could have added noticeably to the wholesale cost of power for that week or month, and exacerbated hedging costs for retailers in the medium term.

7. What other factors may the AER need to take into account in calculating an SSO so that it meets the new policy objectives and proposed regulatory requirements for the DMO?

The consultation paper states, "Under the DMO framework, the AER will use its DMO guideline to determine an SSO standing offer tariff structure (SSO tariff) and a price cap for that tariff. This will ensure that there are guardrails on peak, shoulder, and fixed charges to ensure retailers cannot offset the free period with over inflated costs elsewhere."

However, retailers will have to 'inflate' costs outside the zero-cost usage window (as already occurs with existing 'free-period' offers), because serving a customer at any time of day is never free, even if wholesale prices are zero or negative. Retailers are typically charged network tariffs based on a customer's usage during those times, and must also pay wholesale prices during cloudy days when solar output is low and prices are positive. Retailers also need to recoup the costs of green schemes and their overheads, as well as making a profit. All of these costs necessitate higher peak period, shoulder and/or fixed charges for an SSO to recoup sufficient revenue from customers to allow the retailer to stay in business. Any constraints on fixed charges or usage charges during non-free periods imposed by the AER must allow sufficient headroom for a retailer to recoup all necessary costs, and allow for a competition margin. If there is not sufficient headroom, retailers will lose money on SSO customers and be forced to cross-subsidise by raising prices for all other customers. Those without rooftop solar who have high usage will be most affected by the subsequent rate increases.

1. Does the proposed SSO regulatory framework — anchored in the Electricity Retail Code and linked to the DMO — appropriately balance affordability, equity, and retailer flexibility? Are alternative approaches preferable?

The proposal does not allow for sufficient retailer flexibility and will not provide material affordability or equity benefits. A preferable alternative approach would be to allow retailers to offer 'free-period' offers they deem commercially viable and of interest to their customers. The fact that a few retailers already offer such market offers but customers have thus far shown little interest indicates that these offers do not provide substantial benefits for most customers. If they did, retailers without 'free-period' offers would be losing customers *en masse* to those who did offer them. Competition in the free market should be allowed to occur in this instance without government intervention.

The consultation paper states, "For renters, apartment dwellers, and low-income households without access to [CER], it provides an equitable way to share in the benefits of renewable energy if they are able to move their energy consumption to the zero-cost usage window." This is not an equitable outcome, given a substantial proportion of renters, apartment dwellers and low-income households cannot move material amounts of their energy consumption to the zero-cost usage window because they are not at home during the day.

Far from balancing affordability, equity and retailer flexibility, the proposed framework does not deliver material benefits for consumers on any of these fronts.

6. How could customers without solar PV and batteries, including vulnerable or disengaged households benefit from the SSO? What risks to vulnerable or disengaged households need to be taken into account?

Customers without solar PV and batteries are unlikely to benefit from the SSO unless their usage is low during the evening peak and high during peak solar hours. Customers without solar PV and batteries who have a typical load profile with low daytime use and high evening peak use will continue to pay higher rates due to cross-subsidies in the network tariff system.

The consultation paper states, "The substantial uptake of rooftop solar across Australia has delivered significant savings for customers." However, solar customers have only received these savings at the expense of those without solar. The consultation paper further states, "The Australian Competition and Consumer Commission (ACCC) warns that current schemes, like premium feed-in tariffs, can lead to non-solar customers subsidising solar owners." Premium feed-in tariffs are not the only cause of cross-subsidies from non-solar customers to solar customers. Our research has indicated rooftop solar customers are saving 2 to 4.5 times the value their solar generation provides the grid, and are therefore avoiding paying their fair share of network costs.[9] These costs are shifted to consumers who do not have rooftop solar, which drives up their bills as they are forced to cross-subsidise the bills of rooftop solar owners, who continue to draw from the grid during the evening peak. Under the SSO, these cross-subsidies will continue and may be exacerbated if the AER sets price caps for non-peak periods too low for retailers to recoup sufficient costs from SSO customers, forcing further cross-subsidisation. It is vital that retailers are given the freedom to set a SSO at rates that prevent the need for cross-subsidising between non-SSO and SSO customers.

The consultation paper incorrectly asserts that "increased uptake of home batteries and solar systems enhances the system capacity to absorb daytime generation". Increased uptake of solar systems in fact has the opposite effect — it reduces system capacity to absorb daytime generation by further reducing grid demand and adding to excess solar output during minimum demand periods. While adding batteries without additional solar systems may enhance system capacity to absorb daytime generation, new batteries paired with new solar systems do not necessarily ameliorate grid stress. This is because many customers buy batteries that are fully charged before the middle of the day due to their small size relative to the solar system. This means these customers are likely to be exporting solar power during periods of minimum demand, contributing to greater grid stress than if the customer had not bought a solar and battery system.

1. Should all electricity retailers be required to make an SSO standing offer available to eligible customers, or should exemptions be provided to certain retailers or class of retailers? What criteria should be used to determine any exemptions or carve out of retailers or class of retailers? How could exemptions be implemented to avoid undermining national consistency or consumer access?

Retailers with small numbers of residential customers (e.g. fewer than 10,000) should be exempt from the SSO. If retailers are not already offering 'free-period' offers, it suggests such offers are not commercially viable for these retailers and therefore would impose unwarranted costs that may

reduce small retailers' ability to compete in the market. This could ultimately reduce overall competition if retailers are forced to exit the market, potentially leading to worse outcomes for consumers. Applying such an exemption will still give consumers the option of switching to a larger retailer if they would like to take up an SSO, and gives smaller retailers the flexibility to offer an SSO if it commercially viable.

6. Is the proposed definition of a compliant SSO standing offer, particularly the minimum zero-charge usage window and limits on fixed-charge recovery, appropriate to deliver meaningful consumer benefits?

Retailers should be able to offer a different tariff structure for the SSO standing offer to that set by the AER, as they are best placed to understand what their customers want. There should not be limits on fixed-charge recovery. Retailers should be able to package the SSO in a way to recoup costs from SSO customers, including network, green scheme and overhead costs that retailers will have to pay on customers' usage during the 'free' period. In fact, our research indicates network tariff reform that shifts network charges from a largely per-kWh basis to a largely fixed charge would more accurately reflect the largely fixed nature of network costs, reducing cross-subsidies from non-solar to solar customers and resulting in more equitable consumer outcomes.[10]

The consultation paper states, "It is crucial that all Australians can benefit from the energy transition and the growth of customer energy resources such as solar PV and batteries." However, until network tariff reform eliminates cross-subsidies between non-solar and solar customers, the growth of solar PV and batteries will continue to benefit solar customers at the expense of all other customers.

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[1] Hilton, Zoe, Michael Wu & Aidan Morrison. 2025. 'Rooftop Solar: Paradise Lost'. https://www.cis.org.au/publication/rooftop-solar-paradise-lost/.
[2] Ausgrid. 2016. 'Ausgrid Demand Management Hot water load control trials'. https://www.ausgrid.com.au/-/media/Documents/Demand-Mgmt/DMIA-research/Ausgrid-Hot-Water-DMIA-Projects-Final-Report.pdf.
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[4] Hilton, Zoe, Michael Wu & Aidan Morrison. 2025. 'Rooftop Solar: Paradise Lost'. https://www.cis.org.au/publication/rooftop-solar-paradise-lost/.
[5] AEMO. 2025. '[EventId:202510221505_NRM_NSW1_VIC1_stopped] NEGRES CONSTRAINT NRM_NSW1_VIC1 ceased operating from 22 October 2025 15:05'. Market Notice 129931. https://www.aemo.com.au/Market-Notices?marketNoticeQuery=&fromdate=&todate=&marketNoticeFacets=RECALL+GEN+CAPACITY%2CMARKET+SUSPENSION%2CPOWER+SYSTEM+SECURITY%2CMANDATORY+RESTRICTIONS%2CSYSTEM+RECONFIGURATION%2CLOR2+ACTUAL%2CPROCESS+INVESTIGATION%2CSETTLEMENTS+RESIDUE%2CMARKET+SYSTEMS%2CLOR1+ACTUAL%2CVOLL%2CLOAD+RESTORE%2CNON-CONFORMANCE&MarketNoticeList=9.
[6] Lee, Dan. 2024. 'Interconnector intricacies: double and triple auto-clamping of pesky negative residues'. WattClarity. https://wattclarity.com.au/articles/2025/01/interconnector-intricacies-double-and-triple-auto-clamping-of-pesky-negative-residues/.
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[8] AER. 2025. 'Project Assessment Draft Report publication date extended for Sydney Ring South project'. https://www.aer.gov.au/news/articles/communications/project-assessment-draft-report-publication-date-extended-sydney-ring-south-project.
[9] Ibid.
[10] Ibid.