



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



19 January 2024

Mr Arek Gulbenkoglou
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted electronically to: AERresets2024-29@aer.gov.au.

Dear Mr Gulbenkoglou,

Re: Draft Revisions NSW & ACT Electricity Distribution Determinations Ausgrid, Endeavour Energy, Essential Energy and Evoenergy 2024 to 2029.

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make a submission to the Australian Energy Regulator (AER) on draft revisions by Ausgrid, Endeavour Energy, Essential Energy & Evoenergy (collectively the NSW and ACT distributors) for the 2024-2029 period.

While the draft decision and revised proposals cover all aspects of the NSW & ACT distribution regulatory proposals, this response focuses on the various Tariff Structure Statements (TSS) that set out the various tariff proposals including the structure, default allocation, opt-in alternatives and reassignment policies.

As a general point, Red and Lumo agree that cost reflective tariff structures can encourage more efficient use of network infrastructure and reduce consumers' bills by encouraging them to shift away from peak periods. However, this depends on how they are implemented. It is crucial that retailers face stable and simple price signals that they can then pass through to consumers in a form they can reasonably understand and respond to. Otherwise, tariff reform will not achieve the desired outcome. This is a consistent theme throughout this submission.

Tariff codes

We recommend that the networks adopt a common approach to the use of tariff codes that involves the creation of new codes for new tariff structures. This is the easiest way for retailers to capture new tariff structures in their billing systems. They will archive the old structure and then pass new structures through to consumers in retail offers; this represents a tariff reassignment rather than product change.

Red and Lumo commend Evoenergy for proposing this model and encourage the other distribution businesses to do the same. Furthermore, Red and Lumo also encourage the AER to remove the proposed triggers in Endeavour and Ausgrid's TSS revisions to alter timing windows within the middle of the regulatory period without the use of new tariff codes.

Default tariffs

Demand tariffs can be an effective option for encouraging a shift in the load profile of consumers who are highly energy literate or have greater control over their consumption. This might be due to their ownership of distributed energy resources, for example. In our experience, however, the majority of consumers—particularly residential—simply do not understand how demand pricing works or believe that this form of pricing exposes them to unreasonable risks.

In general, we do not support demand tariffs as a default option. We anticipate that assignment and pricing policies that expose residential consumers to sharper price signals that they do not understand will provoke resentment and undermine the policy objectives of network tariff reform. Simpler and more intuitive default options, such as the Time of Use and Sunsoaker options proposed by Endeavour and Essential respectively are more likely to encourage a sustained and substantial shift in consumption patterns. Consumers with the willingness and ability to respond to a sharper price signal can then elect to be reassigned to a demand tariff.

Therefore, we recommend that Evoenergy and Ausgrid shift to a Time of Use option as their default, rather than the proposed demand tariff. In particular, Evoenergy is proposing a very complex structure that includes both a peak demand and an off-peak demand.

Simple and timely reassignment policies

Red and Lumo refer to Essential Energy's tariff reassignment proposal as an example of what other networks could adopt due to its simplicity and clarity. For example, they propose that all meter exchanges, whether they are customer or network initiated, are assigned their default tariff (Sunsoaker) through a single change, rather than after an extended period and via multiple steps. Furthermore, they propose to reassign any capable meter to the Sunsoaker tariff on 1 July 2028. This is a clear approach that brings certainty for retailers and for consumers and both can account for it accordingly.

An assignment policy that minimises the number of product changes is a model for the other distribution networks. Fewer product changes across a regulatory period means retailers are more likely to pass through the changes and tariff structures to retail offers.

Looking ahead, the AER will need to consider how assignment policies align with the forthcoming Legacy Meter Replacement Program. The AER will be aware that distributor tariff reassignment currently occurs immediately upon the exchange of a consumer's meter.

However, the Australian Energy Market Commission recommends that consumers should not associate their new smart meter with a change in pricing and therefore proposes that retailers should *'be required to give at least 30 business days' notice before the varied tariff is to apply to the customer.*¹ This would be an unreasonable restriction on retailers' ability to manage risk and a more preferable approach is to impose this limitation on networks through their assignment policies. Otherwise, consumers would not face altered price signals or have an incentive to shift consumption but retailers would remain exposed to the underlying network costs. This additional risk would flow through to retail prices.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail electricity and gas in New South Wales, Queensland, South Australia, Victoria and the Australian Capital Territory to over 1.3 million customers.

Red and Lumo thank the AER for the opportunity to comment on the revised drafts. Should you wish to discuss or have any further enquiries regarding this submission, please call Jordan Rigby, Regulatory Manager on [REDACTED].

Yours sincerely

A large black rectangular redaction box covering the signature of Geoff Hargreaves.

Geoff Hargreaves
Manager - Regulatory Affairs
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd

¹ [AEMC Final Report - Review of the Regulatory Framework for Metering Services](#)