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Daniel Harding  
A/General Manager, Market Performance  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Submitted via email to: [DMO@aer.gov.au](mailto:DMO@aer.gov.au)

Dear Mr. Harding,

**Re: NSLP Consultation Paper submission**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER) Default Market Offer (DMO) Net System Load Profile (NSLP) approach consultation paper.

The AER is keenly aware of the policy objectives for the DMO. The requirement for the DMO to support competition and allow the recovery of reasonable costs is best served when the AER has access to and draws on reliable datasets. This has been our consistent message since the first DMO and the reason why we have supported various changes in the AER's methodology. These include the gradual incorporation of the cost of smart meters and the use of retail operating cost data that the Australian Competition and Consumer Commission collects under its market monitoring functions. As a general point, the AER should use a methodology that produces the best estimate of the reasonable costs that a broad range of retailers of different sizes and different business models need to manage during the determination period.

The AER has now published a consultation paper seeking views on options for calculating the load profile that retailers must manage. To say the least, the integrity of the data is critical to the determination of an accurate DMO. It must also be timely, reflecting the best projected estimate of shape and market volatility over the 2024/25 period.

As a result, Red and Lumo support Option 2 as the only sensible approach for DMO 6. This is because compared to the other options it represents a fair and reasonable approximation of a retailers' reasonable costs to purchase energy and manage their exposure to net system load profile volatility. As the AER itself notes, using this data will ameliorate the impacts of the adjustment by AEMO on the NSLP thereby producing a load profile shape that is likely a more accurate load profile that retailers will be exposed to in the DMO 6 period.



Most importantly, we do not support Option 1. Such an outcome would knowingly set the DMO on the basis of different wholesale costs to those incited by retailers and therefore be inaccurate and would undermine retail competition. Option 3 similarly would use a knowingly outdated and unreliable load profile.

Importantly, we continue to support the AER's suggestion from its previous issues paper, to incorporate smart meter data into the load profile assumed for assessing the wholesale hedging costs for the DMO, rather than relying solely on NSLP. This will also ensure the wholesale cost alabaster in the DMO most closely reflects the reality of the changing load profile that retailers are exposed to as customers adopt Consumer Energy Resources and as retailers roll out interval meters.

#### **About Red and Lumo**

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

Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

A handwritten signature in black ink, appearing to read "G. Hargreaves".

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