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20 September 2024

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Submitted via email to: [JGN2025@aer.gov.au](mailto:JGN2025@aer.gov.au)

Dean Mr Gulbenkoglu,

**Re: Jemena Gas Networks Draft Plan 2025-30**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Australian Energy Regulator's (AER's) consultation for Jemena Gas Networks NSW's (JGN's) Draft Plan for the 2025-30 period.

Red and Lumo acknowledge JGN's efforts to submit their draft plan for the 2025-2030 pricing determination period. We largely support the draft proposal but have some observations and concerns that reflect the ongoing challenges that many consumers face in managing cost of living pressures and energy bills. The AER should seek to avoid any additional pressures as far as possible through prudent regulatory determinations. In particular, it should carefully review JGN's capital expenditure proposal, which appears somewhat contrary to its request for the accelerated depreciation of its asset base.

We also strongly encourage the AER to carefully consider JGN's proposals for a smart meter rollout and Vulnerable Customer Strategy. We are sceptical that either will generate a net benefit for gas consumers.

**Accelerated Depreciation**

We acknowledge some uncertainty about the future of gas networks in light of recommendations from many stakeholders for consumers to electrify and explicit policies to substitute electricity for gas in Victoria and the ACT. However, there are currently no policy proposals in NSW to ban the expansion of gas networks, either by prohibiting new gas connections (as is the case in some instances in Victoria) or gas appliance replacements. Moreover, the NSW Government continues to develop its Renewable Fuel Scheme, which may maintain volumes across the gas distribution network.

As such, we do not see a strong basis for JGN's proposal to accelerate the depreciation of their assets at this time, noting the contribution this would make to gas bills in the short term. More significantly, it is hard to reconcile JGN's request while it is still expanding its network through approximately \$280 million in capital expenditure for new customer connections (which accounts for more than a third of total capex).<sup>1</sup>

### **Smart Meter Rollout**

Red and Lumo are highly sceptical of the net benefit of smart metering for gas. We acknowledge this could reduce some of the costs associated with gas meters that are difficult to access but JGN and the AER should carefully consider other, less expensive options. For example, many of these meters still receive regular readings through other mechanisms, such as through self reads and JGN's *Gas Meter Mate* initiative.<sup>2</sup>

As with accelerated depreciation, there is a high risk that current and future consumers will face additional costs for limited commensurate benefit. The proposal for smart meters also appears misaligned with the request for accelerated depreciation.

### **Vulnerable Customer Strategy**

Red and Lumo do not support JGN's Vulnerable Customer Strategy. This role is inconsistent with the role of distribution networks in the supply chain, which is to transport and deliver energy to end users safely, efficiently and in the most cost effective manner.

Retailers have clear (and strongly enforced) regulatory obligations to identify and then offer appropriate support to consumers experiencing payment difficulty, in addition to maintaining hardship programs. Retailers' obligations include payment plans, energy efficiency audits and discussions about the most appropriate offers in line with their AER-approved hardship programs. On top of these obligations, many retailers provide further financial assistance in the form of payment matching, debt reductions, honouring missed discounts along with occasional appliance replacements.

A key determinant of the effectiveness of this framework is that retailers and their customers develop trust and remain engaged over the course of a contract and particularly where a customer is receiving support.

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<sup>1</sup> Jemena Gas Networks - RIN - 4.3 - Connections and metering forecast methodology - 20240717 Table 1–5: New connections capex

<sup>2</sup> <https://www.jemena.com.au/campaigns/gas-meter-mate/>



Distribution networks have no such role. Consumers do not generally have contact with or awareness of their distribution network and it is likely they would be confused about who they should contact for support if the networks pursue their own initiatives. We see potential for inconsistencies between retailers' actions and those of the networks, which undermines the efficiency and effectiveness of support. Furthermore, we have seen no material evidence of the success of similar proposals by other gas distribution networks (including Australian Gas Networks and Multinet Gas Networks in Victoria).

Given this, the AER should cease approving additional financial allowances to distributors, including JGN, for vulnerable customer strategies as it will only add to cost and detract from a service that retailers are already adequately providing.

### **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 1.4 million customers.

Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Jordan Rigby, Regulatory Manager on [REDACTED].

Yours sincerely

[REDACTED]

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