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17 January 2025

Mr Gavin Fox  
General Manager  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Submitted electronically to: [energyqueensland2025@aer.gov.au](mailto:energyqueensland2025@aer.gov.au) and [sapn2025@aer.gov.au](mailto:sapn2025@aer.gov.au).

Dear Mr Fox,

**Re: Revised Regulatory Proposal QLD & SA Electricity Distribution Determinations Energex and SA Power 2025 to 2030**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Australian Energy Regulator (AER) on revised proposals by Energex and SA Power Networks for the 2025-2030 period.

As a general point, Red and Lumo agree that cost reflective tariff structures are an important component of the energy transition. They can encourage more efficient use of network infrastructure and provide an opportunity for consumers to reduce their bills if they can shift their consumption away from peak periods. They can also encourage efficient investment in distributed resources and the efficient use of those assets. However, this depends on how the networks implement tariff reform.

To this point, some networks have not engaged effectively with consumers or had sufficient regard to how retailers incorporate network tariffs into retail prices. Complex structures and frequent changes to those structures and to assignment policies present significant challenges. In contrast, retailers are better able to construct pricing offers that consumers understand and can respond to if networks present them with stable and simple price signals. This necessarily involves some trade-offs and means network pricing will retain an element of cross subsidy. On the other hand, tariff reform will not achieve its desired outcome if it does not adequately account for the consumer perspective.

**Default tariffs**

We see a limited role for demand tariffs and suggest they are better suited to larger energy consumers, rather than residential consumers. This reflects our own experience with our customers but is also apparent from the broader discussion of more complex pricing structures over the past 12 months. The AER will be aware of the extensive media coverage of changes to pricing structures following the installation of a smart meter. It will also be

aware of the analysis by organisations such as the Australian Competition and Consumer Commission, Independent Pricing and Regulatory Tribunal and Energy Consumers Australia on the complexity of demand tariffs for energy consumers.<sup>1</sup> The Australian Energy Market Commission has made a number of rule changes to address these concerns and has recommended that jurisdictions implement a requirement for retailers to offer a flat priced retail offer to all customers, irrespective of the underlying network tariff to which they are assigned.

As a result, Red and Lumo do not support demand tariffs as a default option for the residential segment. Given this, Red and Lumo commend the AER for directing Energex to alter their default tariff assignment in their revised proposal to the time of use tariff rather than their original proposal of a demand tariff.

While demand tariffs *can* encourage a shift in the load profile of consumers this tends to be for those who are more engaged, energy literate or those with greater control over their consumption from those who've invested in distributed energy resources rather than the typical energy consumer. In our experience, the vast 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. Demand tariffs moving forward must be made available to residential consumers on an opt-in basis only.

Red and Lumo's preference is for simpler and more intuitive default options, which are more likely to encourage behavioural change. This is seen in both the SA Power Networks' and Energex's now proposed Time of Use tariffs, which do not include seasonal components.

### **Simple and timely reassignment policies**

We view SA Power Networks' tariff reassignment proposal as a model for other networks due to its simplicity and clarity. They propose that all meter exchanges, whether they are customer, network or retailer-initiated, result in the customer being assigned to the default tariff (Time of Use) through a single change; this is an administratively simple approach. In addition, we support the proposal to reassign any current customers on demand tariffs at 1 July 2025 to the default tariff (Time of Use). This is a clear and simple approach that brings certainty for retailers and for consumers, both of whom can account for it accordingly.

An assignment policy that minimises the number of product changes to tariff structure across a regulatory period is a model for the other distribution networks. Fewer product changes across a regulatory period means retailers are much better placed to pass through the changes and tariff structures to retail offers and achieve the desired outcome of the networks' pricing proposal.

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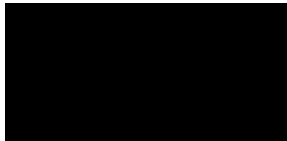
<sup>1</sup> See Independent Pricing and Regulatory Tribunal (2024), *Monitoring the NSW retail electricity market 2023-24 Annual Report*; Australian Competition and Consumer Commission (2024), *Inquiry into the National Electricity Market Report*; and Energy Consumers Australia (2025), *Consumer Energy Report Card: Consumer knowledge of electricity pricing and responsiveness to price signals*

## **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**