



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

PO Box 632
Collins St West VIC 8007
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



24 August 2018

Mr Chris Pattas
General Manager Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submitted online: classificationguideline2018@aer.gov.au

Dear Mr Pattas,

Re: Draft Asset Exemption Guideline

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to provide input to the Draft Asset Exemption Guideline (Guideline) to the Australian Energy Regulator (AER).

Under the contestability of services rule change, Distribution Network Service Providers (DNSPs) are restricted from investing in assets located Behind the Meter (BTM) to increase their Regulated Asset Base (RAB). The restriction applies in order to protect the development of competitive energy markets that are located BTM. There are some exceptions to the rule including where an asset is a network device, the customer is a DNSP, or an exemption is provided by the AER.

The AER has developed the Guideline to explain the circumstances under which it would grant an exemption. The Guideline provides a flexible and robust process for assessing exemption applications. Below, we comment on the key aspects of the Guideline.

Criteria to be applied for permitting assets to be added to RAB

We recommend that the following criteria is applied to any exemption application and is included in the Guideline. The asset must:

- be unlikely to have an impact on the development of a competitive energy market
- not be able to store or generate electricity
- not be sub-leased to a ring fenced affiliate
- have received express permission from the customer to install BTM.

Not only will this criteria provide the AER information to satisfy themselves that the asset can be included in the DNSPs RAB. But it will additionally strengthen the Guideline to ensure it remains consistent with the final rule. The AER should incorporate this criteria in its two-limbed test.

Exemptions to be relatively infrequent

The AER should only grant exemptions on rare occasions. If the exemption application is developed in accordance with the criteria in the test above, then the AER would only grant an exemption when there is a compelling reason to do so. As a result, we do not expect many applications for exemptions to be successful.

Transparency of asset exemption decisions by AER

The AER must consult on exemption applications in a transparent manner. The information a DNSP is required to provide the AER for an exemption application is unclear. Given the importance of these exemption applications, the AER and DNSPs must allow interested stakeholders to provide input to any exemption decision. This will give all stakeholders the opportunity to provide input to any exemption application.

We would support this requirement be included in the Guideline.

Load control devices

DNSPs should not receive a broad exemption for load control devices that provide network load control.

The ownership of these devices by DNSPs BTM may have an impact on the competitive markets for the services that these assets provide. Particularly as retailers are in the process of replacing aged metering assets and the new metering infrastructure allows for load control to be provided within the meter and provides the opportunity for DNSPs to engage with the market for these services. Therefore, we expect that exemptions for these assets will be infrequent. This approach should ensure that competitive market for these energy services is not impeded.

Finally, the contestability rule change does not prevent distributors from engaging in demand management programs using BTM assets. Under the final rule, DNSPs are encouraged to engage in these programs through third party providers in order to procure the services this way.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales and Queensland to over 1 million customers.

Should the AER have any enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd