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12 May 2022

Mr Arek Gulbenkoglul  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Submitted electronically: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Mr Gulbenkoglul,

**Re: SA Power Networks' cost pass through Emergency standards 2021-2022**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the AER on SA Power Networks' cost pass through application for a positive pass through of costs associated with a new regulatory obligation imposed by the South Australian Office of the Technical Regulator on 21 December 2021.

At a high level, we support SA Power Networks' application to recover these costs. However, we are concerned with the timing and scale of some of these pass through events. In general terms, we are particularly concerned that if the cost of the pass-through is recovered immediately through a tariff variation, depending on its magnitude it has the potential to result in unacceptable price increases for consumers.

Should the AER approve the pass through application, SA Power Networks should not be permitted to recover these costs immediately. From our perspective, we prefer that the cost pass through be recovered as part of their annual pricing proposal commencing on 1 July. This will allow the AER to account for the pass through in the Default Market Offer (DMO).

SA Power Networks has proposed that the pass through amount of \$3.4 million per year would be recovered through an increase in SA Power Networks distribution revenue over the last two years of the 2020-25 regulatory control period to pay for part of the positive pass through.

Red and Lumo thank the AER for the opportunity to respond to this consultation.

Yours sincerely,

**Stefanie Monaco**  
Manager - Regulatory Affairs  
Red Energy Pty Ltd  
Lumo Energy (SA) Pty Ltd