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

Submitted via email to: JGN2025@aer.gov.au

Re: Reference Service Proposal for the July 2025-June 30 Regulatory Period

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to Jemena Gas Networks NSW's (JGN's) Reference Service Proposal (RSP) for the 2025-30 Access Arrangement (AA) period.

JGN is required to submit a reference service proposal, which describes the reference services they will offer their customers, before they lodge their gas access arrangement under the National Gas Rules (NGR). Reference services are charged to consumers at a regulated charge amount determined by the AER.

We have reviewed JGN's reference tariff proposal for the 2025-2030 AA period. In general, we support the proposal but there are a few specific matters on which we would like to comment, including the:

- abolishment charge
- vulnerable customer initiative scheme, and;
- the implementation of digital meter rollout.

Abolishment charge

Red and Lumo support a permanent abolishment charge as an ancillary reference service for customers who choose to stop using gas at their premises. Compared to a more temporary measure, a permanent abolishment of the connection is necessary for both gas distributors and consumers to minimise the safety risks.

However a fully permanent abolishment charge that removes connection to the mains of a meter will be more costly than a temporary disconnection. A fully cost reflective charge would encourage consumers who want to move away from gas to choose a temporary disconnection over the safer, permanent removal of the connection assets in place.

Our experience in Victoria with AusNet's user pay abolishment charge demonstrates this point. Since its inception, our customers have complained about this charge and have consistently objected to its payment, particularly given the broader discussion of the future of gas in Victoria. Furthermore, it has been the basis for numerous complaints to the Energy and Water Ombudsman of Victoria. As such, we fear that if an abolishment charge is introduced as a fully cost reflective user pay charge this behaviour will be replicated en masse.

In order to reduce the price difference between the permanent abolishment charge and temporary disconnection and the associated problems that it creates, we recommend the AER retain an upfront charge for connection abolishment that is equal to the temporary disconnection of the meter. The remaining costs of the abolishment charge should be socialised and shared amongst the remainder between all customers.

Vulnerable customer initiatives

Red and Lumo do not support investigating vulnerable customer initiatives in this AA review. Currently the extensive assistance that retailers must provide along with further support from the community sector and social welfare provided by the government remain the most appropriate mechanisms for providing support.

We see no compelling evidence that vulnerable consumers will contact their distribution network if they are facing difficulties. Furthermore, we are yet to see any evidence on the success of similar projects in other distribution networks (such as AGN).

Retailers have the sole regulatory obligation to provide support measures to vulnerable consumers. This includes payment plans, discussions about most appropriate offers and hardship programs in line with approved policies. Furthermore, retailers are the only entity able to provide support that reflects each customer's specific preferences, needs and circumstances because they, unlike networks, maintain a direct and ongoing customer relationship.

The AER should therefore refrain from providing any financial allowances to JGN to accommodate vulnerable customers initiatives. In the long run, this will only burden consumers with additional costs for a service that was already being adequately provided by other parties.



Digital gas meters

Red and Lumo do not support JGN's proposal to introduce digital gas meters across the network over the next regulatory period. At a time when the future of gas networks in NSW remains highly uncertain, we are sceptical of the longer term benefits of digital meters across the network. In our view, this proposal would only impose unreasonable costs on current and future consumers. At the very least, the AER must very carefully consider whether the benefits that JGN claim—for meters that are difficult to access for example—will exceed the significant upfront costs that all consumers across the network would incur.

It is also difficult for us to reconcile this policy with any proposal to introduce accelerated depreciation. During discussions at retailer forums, JGN discussed accelerated depreciation as a potential way to mitigate asset stranding risk between current and future gas consumers. In the recent Victorian Access Arrangement reviews, the AER awarded the Victorian gas distributors some accelerated depreciation to mitigate this risk.

Our view is that any accelerated depreciation proposal should align with other aspects of the regulatory submission. In this regard, it is irreconcilable for JGN to propose any expenditure for digital gas meters across the network with any proposal for accelerated depreciation. Put simply, it makes no sense to argue there is a need to spend money on the digital gas meters for the benefit of the network in the future while potentially claiming accelerated depreciation to mitigate asset stranding risk.

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 and South Australia and electricity in the ACT to over 1.2 million customers.

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

Yours sincerely

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