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23 February 2021

Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submitted electronically Evonergy2021@aer.gov.au

Dear Mr Roberts,

Re: Evoenergy Access Arrangement 2021- 2026 Draft Decision

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER) draft decision and Evoenergy's revised proposal for its gas access arrangement (AA) for the period from 1 July 2021 to 30 June 2026.

Red and Lumo have reviewed both the AER's draft decision and Evoenergy's revised proposal including their final Reference Service Agreement (RSA). In our view, Evoenergy has delivered a reasonable proposal underpinned by significant improvements to its consumer engagement process. While the proposal is likely to deliver reduced costs for consumers, the AER must take a flexible approach when making its final decision and consider the implications of government policy and the COVID-19 pandemic. To that end, we recommend that the AER reconsider Evoenergy's price path and the decision to reduce the asset lives of new assets to mitigate the asset stranding risk associated with the Australian Capital Territory (ACT) Government legislated 2045 net zero greenhouse gas emissions target.

Price path

Regarding the price path, we do not support the price path approach approved by the AER. We acknowledge that it will most likely deliver lower gas prices to consumers in the first year of the AA. However, it will unfortunately result in price increases in the later years of the AA resulting in increased affordability concerns.

Under the proposed approach, the price increases within the AA tend to have a more adverse impact on customers that are struggling financially. As a result of this we urge the AER to reassess the approach it has taken to the price path. As we have previously argued, we have generally found that customers are more receptive to a smooth price path.

Asset stranding risk

In the future gas distributors will face serious questions about the future of their network driven by governments moving towards net zero emission targets at a faster rate than the asset lives of their business. As a result deciding on the optimal policy response in light of these uncertainties will be challenging for the AER.

In Evoenergy's case, the AER has approved proposed reductions in the asset lives for new pipeline assets to address potential cost recovery uncertainties as a result of the ACT Government's legislated 2045 net zero greenhouse gas emissions targets.

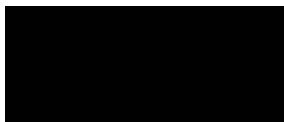
While acknowledging the efforts of the AER in dealing with this matter we prefer that it is dealt with holistically, instead of as part of each distributor's access arrangement. This is an important matter and its potential impact on consumers should be considered as part of a broader industry review.

About Red and Lumo

Red and Lumo 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 million customers.

Should you wish to discuss aspects or have any further enquiries regarding this submission, please call [REDACTED]

Yours sincerely

A large black rectangular redaction box covering the signature area.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd