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24 April 2018

Ed Chan
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted online

Dear Mr Chan,

Re: National Gas Amendment (Cross period revenue smoothing (Gas)) Rule 2018

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to provide a submission to the Australian Energy Market Commission (the Commission) on the consultation paper on cross period revenue smoothing, in response to Jemena Gas Network's (JGN) rule change request.

The rule change request seeks to provide a mechanism to minimise pricing volatility for New South Wales gas customers that may occur due to the delay caused by merits review, judicial review and the finalisation of the Australian Energy Regulator's remade final decision for JGN 2015-2020 access arrangement (AA) period.

Red and Lumo consider the proposed rule provides the appropriate mechanism to enable the timing of revenue to be spread across two AA periods. Limiting bill shock would be beneficial to customers given that distribution charges are a significant part of the end bill and sudden price changes could seriously impact this. As such, we are comfortable with the rule change subject to the following conditions. Firstly, that the Commission is satisfied that the rule change complies with the revenue and pricing principles as set out in the National Gas Law.¹ Secondly, that the rule change is designed so that any "adjustment determination"² made by the AER which minimises price volatility across both the 2015-20 and the 2020-25 AA periods is Net Present Value (NPV) neutral.

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 and New South Wales and electricity in Queensland to approximately 1.1 million customers.

¹ Section 24 of the National Gas Law (NGL) especially the following revenue and pricing principles including:

- a service provider should be provided with a reasonable opportunity to recover at least the efficient costs of providing reference services
- a service provider should be provided with effective incentives in order to promote economic efficiency with respect to reference services the service provider provides; and
- a reference tariff should allow for a return commensurate with the regulatory and commercial involved in providing the reference service to which that tariff relates

² An adjustment determination is a separate determination that must be made no earlier than the 2015-20 AA and no later than March 2019.

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

Yours sincerely



Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
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