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14 March 2019

Mr Andrew Truswell
Director
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Submitted electronically

Dear Mr Truswell,

Re: EMO0036 Updating the Regulatory Frameworks for Embedded Networks

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Commission (the Commission) on the draft report on updating the regulatory frameworks for embedded networks (the Draft report).

Red and Lumo agree with the findings of the Commission that “current regulatory arrangements for embedded networks are no longer fit for purpose.”¹ Furthermore, Red and Lumo also agree that “consumer protections should be driven by the needs of customers and not the business model of suppliers.”² We also believe that changes to the current regulatory arrangements will offer a wide range of benefits to consumers through accessing both improved consumer protections as well as the likely benefits through retail market competition.

While we support the new proposed framework and believe it provides extensive benefits for new customers of embedded networks, we are concerned about grandfathering the existing framework for existing embedded network customers. We acknowledge concerns about the costs of requiring existing embedded networks to upgrade infrastructure to be compliant with this new framework, this restricts the ~500,000 embedded network consumers from accessing the above benefits.

Red and Lumo believe that there needs to be a clear path for consumers over time to have existing infrastructure upgraded and to access the benefits of the competitive market. Consistent with the current arrangements under metering competition, this could be achieved on a replacement basis (with new embedded networks automatically falling under the new arrangements). This is likely to be the most efficient and cost effective model to unlock the benefits of competition to these consumers.

We consider that embedded network operators are required to ensure that the infrastructure installed meets the minimum requirements to be ‘on market’ when existing embedded network meters are required to be replaced. This will occur when meters reach their end of life, require a meter change (i.e. for solar installations) or consumers request to have a smart meter installed at their property. This would mean that any costs would be spread over time and that consumers in existing embedded networks would still be able to access the benefits of the new framework.

¹ Australian Energy Market Commission, Draft Report Updating the Regulatory Framework for Embedded Networks, 31 Jan 2019, Summary pi

² Ibid, pi

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, and electricity in the ACT to over 1 million customers.

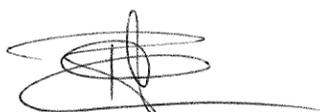
Should the Commission wish to discuss or have any enquiries regarding this submission, please contact Stephen White, Regulatory Manager on 0404 819 143.

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Should the Commission wish to discuss or have any enquiries regarding this submission, please contact Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd