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25 August 2024

Mr Mitchell Potts  
Project Leader  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted electronically

Dear Mr Potts,

**Re: Draft AEMC Terms of Reference - Electricity pricing for a consumer-driven future**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make a submission to the Australian Energy Market Commission's (the Commission) draft Terms of Reference for this review, titled *Electricity pricing for a consumer driven future* (the review).

This review is timely and an important step in reforming the regulatory framework to support the energy transition, in which Consumer Energy Resources (CER) will play a critical role. The framework should incentivise efficient investment in and use of CER. This means that consumers with CER technologies will utilise them during periods of low prices and export when prices are high or provide important support at times of system and network constraints. This will reduce the need for network augmentation and deliver more efficient wholesale and FCAS outcomes. In the long run, all consumers will benefit from these developments.

However, if the energy transition is going to be delivered smoothly and deliver all of the benefits it promises, the regulatory framework will need to be modified. Below, we have provided some suggestions for the Commission's consideration.

First, we suggest that the Commission consider the role of retailers in network determinations. Our position in the supply chain means we have deep insights into customers' willingness to face and then respond to sharper prices, whether they own CER or not. As a result, we have considerable value to add in this regard. Both the AER and distribution networks should draw on our perspectives as they develop revenue determinations and Tariff Structure Statements and this should be prescribed in the National Electricity Rules.

Secondly, it is our strong view that effective competition will deliver efficient and customer-focused solutions to drive the transition. Therefore, we also encourage the Commission to consider the impact of the regulatory framework on retailers' ability to manage network costs and in turn, their capacity and incentive to develop more innovative products.



There may be some instances where consumer protections, however justified, impose some constraints on retailers' ability to manage costs, particularly in the context of regulated retail prices. The Commission should consider the implications for competition and innovation.

A related point is the current ring-fencing framework and the extent to which it ensures effective competition in the retail market, including the market for new energy services.

Finally, we note the draft Terms of Reference refer to the role of retailers and 'energy service providers'. The role of the latter and their regulatory obligations remain unclear while industry awaits the response to the Australian Energy Regulator's review of new energy services. In our view, a competitive neutral framework that ensures appropriate protections apply to any entity that is influencing the sale or supply of an essential service, is also an important foundation for the energy transition.

#### **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 the ACT to over 1.4 million customers. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager, on 0481 013 988.

Yours sincerely

A handwritten signature in black ink, appearing to read "G Hargreaves".

**Geoff Hargreaves**

Manager - Regulatory Affairs

**Red Energy Pty Ltd**

**Lumo Energy (Australia) Pty Ltd**