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9 November 2017

Mr Owen Pascoe
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Pascoe,

Re: Alternatives to grid-supplied network services - Draft Rule Determination

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission's (Commission) Draft Rule Determination on Alternatives to grid-supplied network services (draft determination).

Western Power proposed a change to the rules that would permit distributors to provide off-grid supply as a regulated distribution service under the National Electricity Rules (NER) where competition was impractical and off grid supply was cheaper. The Commission has rejected Western Power's draft rule. Red and Lumo support the Commission's decision. Western Power's draft rule fails to include all of the accommodating changes that would need to be made to the law, regulations and jurisdictional instruments to allow for efficient distributor led off grid supply.

For distributors to have the right to provide efficient off grid supply to customers as a regulated distribution service under the NER, the Commission's broader package of reforms would need to be adopted. This includes all the necessary changes to the law, rules and jurisdictional instruments that would need to be made for this reform to progress.

No support for Western Power proposed rule change

Red and Lumo support the Commission's decision to not make Western Power's rule change. The key reasons for this include:

- Broadening the definition of the term "distribution system" in the NER to include off grid supply would make it inconsistent with the National Electricity Law (NEL). This would allow the Australian Energy Regulator (AER) to exercise broader powers than contemplated in the NEL which is inappropriate.
- There is a potential risk that consumers that move from grid to off-grid supply may be exposed to risks not faced by grid connected customers. For example, they would not be covered by consumer protections provisions in the NER and Retail Rules which may result in unacceptable outcomes.
- Reliability standards on off grid power system would not be subject to the scrutiny of the jurisdictional reliability standards on the grid and this would need to be addressed.
- A move to off-grid supply could potentially mean consumers have less access to competitive supply options.

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 and South Australia and electricity in Queensland to over 1 million customers.

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

Yours sincerely

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