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12 October 2017

Mr Warwick Anderson
General Manager, Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 260

Submitted electronically: DM@aer.gov.au

Dear Mr Anderson,

Re: Demand Management Incentive Allowance

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Regulator (AER) on the Demand Management Incentive Allowance (DMIA).

Red and Lumo support the AER's revised DMIA. The AER has initiated changes to the DMIA in three key areas including the:

- quantum of the allowance;
- eligibility of the projects and;
- compliance reporting.

The proposed changes to the DMIA represent a proportionate policy response to the matters raised in the consultation. The changes facilitate and encourage Distribution Network Service Providers (DNSPs) to invest in demand management projects where the project's objective is to reducing network charges and delivering lower prices for consumers in the long term.

Quantum of allowance

Red and Lumo consider the revised DMIA allowance is appropriate.

The DMIA allowance should provide DNSPs with a reasonable allowance to undertake research into the key areas of demand management without adding excessive costs to consumers by being overly generous. As such, it allows DNSPs to undertake research on demand side projects that should provide benefits to consumers in the long term.

Eligible Projects

Red and Lumo consider the eligibility criteria developed for the revised DMIA is appropriate.

The eligibility criteria will encourage DNSPs to direct their research and development funding towards projects that will help achieve the allowance objective. The projects will need to be innovative and have the potential to reduce long-term network costs. Innovation, in this regard, means that a project is based on new and original concepts, or involves technology or techniques not previously implemented in the National Electricity Market (NEM).

Compliance

Red and Lumo support the compliance reporting requirements in the revised DMIA.

The compliance reporting requirements developed by the AER are sufficient to ensure compliance with the new DMIA can be assessed, allow industry and consumers to understand the research outcomes, and knowledge gained from projects.

The key aspects of the compliance regime we consider mandatory include the requirement for DNSPs to:

- submit an annual report to the AER that sets out the amount of allowance claimed, along with the specifics of each project funded by the allowance;
- publishing of compliance reports on the AER website that outline the outcomes that are achieved (and not achieved) for each project. This provides transparency and access for electricity customers, industry participants and stakeholders, including demand management service providers.

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

For any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 03 9976 5701.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is stylized with loops and a long horizontal tail.

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