



PO Box 4136  
East Richmond VIC 3121  
T 131 806  
F 1300 661 086  
W redenergy.com.au

PO Box 632  
Collins St West VIC 8007  
T 1300 115 866  
F 1300 136 891  
W lumoenergy.com.au



7 February 2019

Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Submitted via email: [NSW2019-24@aer.gov.au](mailto:NSW2019-24@aer.gov.au)

Dear Mr Roberts,

**Re: New South Wales (NSW) Electricity Distribution Draft Decisions: Tariff Structure Statements (TSS)**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER) draft determination that applies to Essential, Endeavour and Ausgrid (collectively the NSW distributors) for the 2019-24 regulatory control period.

While the AER's draft determination generally relates to the determination of the regulated revenues of the NSW distributors, it also includes its response to their Tariff Structure Statements (TSS). Red and Lumo's position on the NSW distributors TSSs are the AER should:

- Grandfather the rights of existing consumers that have moved to a cost reflective tariff in the current regulatory period in order to maintain their option to revert to a flat tariff indefinitely.
- Restart the proposed 12 month sampling period that applies to a consumer who has moved onto a cost reflective tariff when that consumer switches retailer in the sampling period.
- Recommend that the government, NSW distributors and retailers work together to educate consumers on the benefits of tariff reform as we transition towards more cost reflective tariff.

We provide more targeted responses on each of these positions below.

**Maintaining customer protections**

Red and Lumo strongly believe that the AER should grandfather the rights of existing consumers that have moved to a cost reflective tariff in the current regulatory period in order to maintain their option to revert to a flat tariff indefinitely.

Many consumers have migrated to cost reflective tariffs in the current regulatory period on the understanding that they could revert back to a flat tariff. There are tens of thousands in Ausgrid's network with a significant amount in Essential's also. As such, if these consumers determine that they are worse off under a cost reflective tariff they could request to revert to a flat tariff.

Under the AER's draft determination that applies to the next regulatory period, different rules will apply to the assignment of consumers to cost reflective tariffs across all of the NSW distributors. Consumers that have been assigned to a cost reflective tariff will no longer be able to revert to a flat tariff in the next regulatory period. For example, under the AER's draft determination the NSW distributors will be required to assign consumers to either a time of use (TOU) or demand or tariff with a right to opt out to a TOU tariff. All of this means that the rights of the consumers that migrated to cost reflective tariffs in the current regulatory period which includes an option to revert back to a flat tariff would no longer exist.

What is particularly concerning is that these consumers may not even be aware of the different circumstances that will apply in the next regulatory period. This will impact on a consumer's experience of transitioning to cost reflective tariffs. So, it is important that a consumer who has moved onto cost reflective tariff in the current period retain the option to move back to a flat tariff if they are worse in the next regulatory period. This is especially important if that is what they agreed to with their retailer.

### **Change in retailer during the sampling period**

The 12 month sampling period that applies to a consumer who moves to a cost reflective tariff should restart when the consumer changes retailer in that period.

The AER has proposed that consumers that move onto a cost reflective tariff have a 12 month sampling period on a flat tariff. The 12 month sampling trial period on a flat tariff would presumably give the consumer more time to understand their demand profile before moving to a cost reflective tariff.

A more practical and consumer-friendly approach would be for the AER to allow for a 12 month sampling period that begins when a consumer assigned to a cost reflective tariff transfers to a different retailer. This would give the retailer sufficient information to work with their customer to choose the product that best suits their needs and preferences. Anything less than 12 months doesn't give the retailer enough information about that consumer's usage profile to provide meaningful assistance. This relates not only to the appropriate network tariff but also to other elements of the retailer service offering, such as advice about energy usage or the value of investments in solar or storage assets.

### **Education**

Industry as a whole, including governments, distributors and retailers must take an active role in educating consumers on cost reflective tariffs to guarantee the success of the reform.

An important part of the success of the tariff reform program will be the ability of consumers to respond to sharper price signals in tariffs. As we have argued above, consumers must have a basic understanding of cost reflective tariffs and their energy usage patterns before they are able to benefit from cost reflective tariffs.

In order for the network tariff reform process to be successful, all stakeholders must be active in selling the benefits of cost reflective tariffs to consumers. In addition to this, it will be required to work closely with retailers, DNSPs and other key stakeholders to implement this reform in a cooperative manner.

### **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.

Should the AER 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 be "Ramy Soussou". The signature is stylized with several loops and a long horizontal tail.

**Ramy Soussou**

General Manager Regulatory Affairs & Stakeholder Relations

**Red Energy Pty Ltd**

**Lumo Energy (Australia) Pty Ltd**