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9 March 2022

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Submitted electronically: tariffguideline@aer.gov.au

Dear Mr Anderson,

Re: Draft Export Tariff Guidelines for distribution network export tariffs

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make a submission to the Draft Export Tariff Guidelines (the draft Guidelines) developed by the Australian Energy Regulator (AER) to facilitate electricity networks to introduce two way pricing.

Two way pricing is a critical economic reform that will incentivise consumers to utilise the grid more efficiently delivering lower network charges in the long term while progressively abolishing the cross subsidies currently embedded in network tariffs to facilitate more equitable cost recovery. A prerequisite to the successful implementation of two way pricing is simplicity. Without simplicity, consumers will not be able to understand and respond to the reforms.

As a consequence, for two way pricing to be successful in the manner intended by policy makers it is incumbent on the government to play a more active role in coordinating networks and retailers, and assist in the education of consumers and consumer advocates on how to amend their consumption and exports, in order to guarantee its success.

Networks to develop common export tariff charging windows

Implementation of two way pricing, will be easier for consumers and retailers, if networks align export charging tariff windows across their jurisdiction. This reduces complexity making it easier for retailers to communicate, and consumers to understand the proposed tariff structures that have been put forward by the network.

Networks must balance simplicity with the export tariffs being focused on the times that are anticipated to place the network in stress. We understand that export tariffs need to be implemented at times that correspond to periods of maximum demand. Maintaining consistent charging windows across jurisdictions will enable consumers to respond to the charges, in order to deliver the long term benefits.

Consistent with our approach to network tariff reform more generally, Red and Lumo strongly advocate for a consistent, simple message, which will result in increased customer uptake. In the long run, developing two way pricing under a consistent and repeatable methodology will make it easier for retailers to pass through the critical elements and price signals through to the consumer in an effective manner.

Base export level should not be provided to customers exporting in off peak periods

Red and Lumo do not support extending a base export level to consumers in off-peak periods because it will incentivise consumers to export more electricity in these periods, in direct contrast to what these tariffs were intended to do.

We understand that the base export level is a foundation export level provided to all consumers which in theory has been previously paid for through consumption charges and should therefore be shared by all customers. However, our view is it would make economic sense to only provide a base level of access to consumers exporting in the peak period and not provide it to those customers exporting in the off peak periods.

Ultimately, for this reform to be successful it must align the incentive of the base export level with the tariffs themselves. Otherwise, it will jeopardise the reform through contradictory incentives in the base export level and the tariffs themselves.

The Guideline should be enforceable

Red and Lumo recommend that the AER consider making the Guideline enforceable. It is not surprising that the AER has adopted a less prescriptive approach to the application of the Guidelines as it provides networks with the flexibility to develop two way tariffs that reflect their own specific network characteristics.

Consistent with the Better Bills Guideline, there should be no reason why the AER can not provide the same level of enforceability over this Guideline. Especially given how important it is that the networks engage with consumers and retailers to achieve a two way pricing structure that is realistic, effective and implementable by all parties.

The networks must focus on simplicity and understandability, as this will ultimately drive the success of two way pricing. Success will be determined by how well consumers understand and respond to the price signal embedded in their tariff.

System changes associated with implementing two way prices to be costly

Red and Lumo are concerned that retailers will be forced to implement expensive system changes to implement two way pricing. In fact, the more complex the two way tariffs the more expensive the system changes that will be required to bill them.



Harmonisation and uniformity across networks will result in lowering retailers and network costs alike. In the long run, this approach would ensure that system implementation costs are kept to a minimum.

The AER must also factor in the implementation of two way pricing into both the Default Market Offer and the Better Bills Guideline.

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, South Australia and in the ACT to over 1.1 million customers.

Red and Lumo thank the AER for the opportunity to respond to this consultation. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on [REDACTED].

Yours sincerely,



Stefanie Monaco
Manager - Regulatory Affairs
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