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4 October 2022

Mr Arek Gulbenkoglou  
General Manager Network Expenditure  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Submitted via email to: [VICGAAR2023@aer.gov.au](mailto:VICGAAR2023@aer.gov.au)

Dear Arek,

**Re: Draft decision - 1 January to 30 June 2023 extension period**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER's) Draft Decision on the Victorian gas distributors 6 month extension period.

The Victorian Government has introduced the *National Energy Legislation Amendment Act 2020 (Vic)* to change the timing of access arrangement (AA) periods of the gas distributors from a calendar year to a financial year. This is consistent with the approach taken for electricity distributors in Victoria which applied from the start of this financial year.

To implement this change, the AER plans to extend the 2018–22 regulatory period by 6 months from 1 January to 30 June 2023 (extension period) and subsequently apply a new AA from 1 July 2023 to 30 June 2028 (2023–28 period). This is also consistent with the requirements of the Victorian Government's Orders in Council made on 30 September 2021, the AER then plans to extend the 2022 prices for the extension period adjusting them by 6 months inflation and then determine a new building block revenue for the extension period.

We note that the AER has proposed that where there is a difference between the allowed revenue under the extended 2022 tariffs and the building block revenue for that period, the AER would then return any difference via a 'true-up' mechanism before setting new tariffs in the new 2023-2028 period.

Based on this, Red and Lumo support the AER's approach to dealing with the extension period which follows the approach adopted in electricity. Its approach recognises the Victorian Government's policy intent to extend the current access arrangement for six months in a simple way, scaling up prices by half of CPI. We also support the AER's proposal to apply a new AA



(from 1 July 2023 to 30 June 2028 (2023–28 period). In this regard, we consider that it is appropriate for any 'true up' adjustment to be made at this time.

Finally, if there is a material difference in prices between 1 January 2023 and on 1 July, 2023 due to changes in the WACC or the influence of the Victorian Government's Gas Substitution Roadmap, then we would support the AER's proposal for the interim price change on 1 January 2023 to be followed up with another on 1 July 2023.

### **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 1.2 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 0481 013 988.

Your sincerely

**Stefanie Monaco**  
Manager - Regulatory Affairs  
**Red Energy Pty Ltd**  
**Lumo Energy (Australia) Pty Ltd**