



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

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



27 October 2021

Ms Kate Norris
Director, Strategic Energy Projects
Department of Planning, Industry and Environment
4 Parramatta Square
12 Darcy Street
Parramatta NSW 2150

Submitted electronically: Electricity.Roadmap@dpie.nsw.gov.au

Dear Ms Norris,

Re: Policy Paper - Electricity Infrastructure Roadmap, Electricity Infrastructure Fund (Part 7 of the Electricity Infrastructure Investment Act 2020)

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to the Department of Planning, Industry and Environment's Policy Paper on Part 7 of the *Electricity Infrastructure Investment Act 2020*, relating to the Electricity Infrastructure Fund.

This submission focuses on the issues raised in the paper that are most relevant to our operations as an energy retailer. We have not responded to questions that relate more to network operations and financing, or to broader issues of NSW Government policy.

Question 1: Do you agree with the proposed guiding principles? Are there other principles which should be considered?

Red and Lumo support the proposed principles and are of the view that they provide a sound basis for the Regulator to make contribution determinations for distribution businesses and for the Scheme Financial Vehicle's subsequent contribution orders.

Question 2: Do you agree that apportioning contributions from distribution businesses based on a mixture of energy delivered and peak demand best aligns with the guiding principles? Is there a better option? Why is it better?

The proposed method is a reasonable approach in that it reflects the drivers of network costs. Distribution businesses are increasingly developing their tariffs on this basis in line with their obligations under the National Electricity Rules.

However, peak demand as a basis for pricing continues to be a concept that few consumers fully understand. Therefore, there is merit in the Department and / or Consumer Trustee explaining the rationale for using this methodology and to explain to NSW consumers why it is an efficient and equitable approach.

We support the Department's decision to recommend that the Minister does not prescribe how the distribution business apportion their share of costs to consumers. This leaves the decision to the distribution businesses and to the Australian Energy Regulator, who will ensure that network tariffs are consistent with rule 6.18.5 (h) of the National Electricity Rules and that the distribution businesses consider the impact of changes to their tariffs on retail customers.

Question 5: Do you agree a three-year rolling average (one year lagging and two years leading) is the best way to ensure adequate funds are available while also smoothing costs for consumers?

Red and Lumo support this proposal as a mechanism to smooth costs for consumers. In our experience, consumers tend to value price stability so this should be built into the Electricity Infrastructure Fund wherever possible.

Question 6: Do you agree the scheme should provide for a negative contribution amount? What threshold should be set for applying a negative amount?

Red and Lumo support pass through of a 'negative contribution' for consumers in the same year to offset the cost of higher wholesale costs when Scheme Final Vehicle is in profit.

Question 7: Do you agree it is important for consumers to understand the component parts of Roadmap scheme costs (e.g. payments under LTES Agreements compared to network infrastructure)?

Question 8: How can the benefits of the Roadmap be assessed and communicated, ensuring the information is up-to-date, accepted by stakeholders, relevant for consumers and without significant administrative burden?

Question 9: Do you agree a mixture of annual reports, website(s) and bill information is the best way to inform consumers about the benefits and costs of the Roadmap? Is there a simple way to provide bill information?

Red and Lumo agree that many consumers will be interested in the specific details of the costs and benefits of the NSW Infrastructure Roadmap, including the scale of payments to generators and network service providers.

The Department must bear in mind that an electricity bill is, first and foremost, a tax invoice. This is not the best mechanism to provide this information to consumers. The primary purpose of a retail bill is to advise a consumer how much energy they have used, what it costs, any concessions or rebates they have received, the date by which they should pay and what to do if they do not expect to be able to pay. In our experience, any additional information is frequently ignored or easily misinterpreted.

We agree with the Department's statement that Option 3 does not meet the 'simple' principle, and that 'understanding what information and the level of detail is useful for consumers may not be straightforward'. Consumers are likely to differ significantly in terms of the information they are interested in, the degree of detail, and how they receive it. This is why information relating to the Roadmap should not be mandated on retail bills.

The contents of a bill are specific to an individual customer so any additional amounts that seek to represent the net impact of a broad policy initiative—that hinges on specific assumptions—will generally mean little to many consumers in this context. Furthermore, other policy measures, regulatory initiatives and jurisdictional schemes are not presented on a bill to the same degree of granularity despite also creating benefits for consumers.

The Department is aware that the Australian Energy Regulator is considering the appropriate content of bills as part of its Better Bills Guideline project. This project seeks to simplify bills for customers, as such we strongly recommend that the Department avoid mandating that retailers include additional information relating to the Roadmap on consumers' bills. The Department can easily provide this information to consumers who are interested in the specific details of the Roadmap through the other mechanisms to which the paper refers, namely, websites and annual reports. It can also consider other direct messages to consumers if it wants to be more targeted.

We are also mindful of the cost of having to redesign a bill, which ultimately flows through to consumers. At the very least, the Department should defer any decision on this matter until the Australian Energy Regulator has completed its project.

Question 13: Do you agree the options outlined are an effective approach for financial reporting for the Fund? Are there any additional considerations?

Red and Lumo agree with the Department's proposed measures to provide transparency to interested parties of the Fund's financial position, financial performance and cash flows, and for them to be prepared monthly in accordance with accepted Australian accounting principles.

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 Department for the opportunity to respond to its policy paper. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call [REDACTED] Regulatory Manager on [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

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