

1 July 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam

Re: National Electricity Amendment (Embedded Networks) Rule 2015

Red Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (the Commission) Consultation Paper on the National Electricity Amendment (Embedded Networks) Rule 2015.

Red Energy is a 100% Australian owned subsidiary of Snowy Hydro Limited and is part of the Snowy Hydro retail portfolio which services approximately 1 million customers. Red Energy retails gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland.

AEMO has submitted a rule change request to the Commission that seeks to:

- clarify the regulatory arrangements in the National Electricity Rules (NER) that apply to embedded networks; and
- provide embedded network customers with access to competitive electricity from retailers.

AEMO has sought to identify the potential costs and benefits of the changes to the regulatory arrangements as part of this rule change request. As a result they have employed Jacobs SKM to undertake a cost benefit analysis on their behalf.

Analysis undertaken by Jacobs SKM as part of its cost benefit analysis indicates there are significant benefits associated with the proposed rule change request. They include:

- increased regulatory certainty by formalizing the roles, responsibilities and arrangements that apply to embedded networks in a national regime;
- allowing embedded network customers to access alternative retailers which would drive competition resulting in lower prices for customers;
- lower prices from enhanced competition creating a demand response for energy;
- access to retail market offers for embedded network customers would drive product innovation.

Red Energy considers that this rule change should only be approved by the Commission if it is satisfied that it will provide a "net benefit" to the market. For the Commission to be satisfied of this, it will need to undertake a thorough examination of the cost benefit analysis submitted by Jacobs SKM.

Following the Commission's investigation of the cost benefit analysis, if the Commission is satisfied that the rule change will provide the market with a "net benefit" and approves the rule change then we will seriously consider competing for embedded network customers in the future.



Any decision on whether we compete for embedded network customers in the future will be determined by whether the costs associated with setting up the technical capabilities to acquire these customers exceed the benefits. Such a decision can only be undertaken following further commercial analysis.

Red Energy thanks the Commission for the consideration of our submission. For any enquiries regarding this submission or to discuss this submission further, please contact Con Noutso Regulatory Manager on 03 9976 5701.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou".

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