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9 October 2015

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam,

**Re: Strategic Priorities for Energy Market Development Discussion Paper (EMO0030)**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on the Strategic Priorities for Energy Market Development Discussion Paper (the Discussion Paper).

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to approximately 1 million customers. Our submission focusses on the retail and consumer priorities, whilst market priorities will be addressed through the submission of our parent, Snowy Hydro Limited.

We are broadly supportive of the 2015 priorities as proposed in the Discussion Paper by the Commission. Red and Lumo consider that the priorities require slight amendments to ensure the appropriate focus. These amendments are discussed below.

**Consumer Priority**

The Commission has proposed that the consumer priority, *strengthening consumer participation and continuing to promote competitive retail markets*, continues in 2015 with a focus on engagement, participation and protection.

While we agree with this premise, Red and Lumo strongly believe that consumers not actively engaging in the market is not a sign that the market is failing. This belief remains valid when demand response and network tariff reform is considered. Sufficient information must be made available to consumers, however there will always be consumers who decide that the opportunity cost of acting on a price signal is too great. This decision must not be discouraged.

As the Power of Choice reforms continue to be implemented over the next few years the messages we send consumers will be increasingly important. Mixed messaging from Governments, the Commission, regulators, consumer groups, retailers, and network businesses have brought the energy market to the front of mind, however have not resulted in significantly better informed consumers than we have previously seen. Clear, accurate, and consistent messaging detailing the benefits of changes

such as competitive markets and advanced metering will be crucial to the success of reform. Ensuring, to the extent possible within the remit of the Commission, that the messaging provided to consumers is consistent with the objectives of the overall reform process must be a key priority for Energy Market Development.

### **Markets and Networks Priority**

The amended priority of '*market and network arrangements that encourage efficient investment and flexibility*' is proposed by the Commission in 2015. We broadly agree that the 2015 priority is amended to reflect the changing market; however, the focus on 'network evolution' is emphatically coupled with 'technology and new business models' focus. It is difficult to separate the focus on these two areas as such we support the amalgamation of these priorities.

The Commission has refocused the technology and new business model to establish competitive neutrality in the regulation, whilst warranting that the regulatory framework allows for both flexibility and consumer protections. In order to achieve this competition for new products and services, whomever it is provisioned by, must be on a competitively neutral basis. This will ensure that the benefit to consumers is sustainable in the long term as all business models will be subject to the same regulatory requirements, ensuring that consumers will continue to benefit from consistent protections inherent in today's energy market. This must be achieved through an assessment of whether it is appropriate for network businesses to participate in the competitive environment, and if so, where the boundary is between competitive and regulated revenues. Red and Lumo support the Commission assessing these aspects of the network focus, these must be completed in conjunction with the assessment of technology and new business models.

We consider that the regulatory framework that supports network investment and the potential evolution of network businesses should be a focus for network businesses not the Commission. As per existing processes, networks are able to raise a rule change request that amends their framework and changes the approach to the market in a mechanism that is consistent with the Commissions determination on technology and new business models. Similarly, retailers and energy service providers are able to promote their business models by amending the existing framework. Therefore, we recommend the Commission couple their proposed network focus with the competitive neutrality and consumer protection focuses when assessing the technology and new business models priority.

As discussed above, Red and Lumo are broadly supportive of the 2015 priorities with the amendments as proposed above. Whilst the priorities provide direction to the Commission, we consider that the Commission ensures that any rule change or review arises in the future should be assessed on its merits and the impact of timing on the market.

Red and Lumo thank the Commission for the opportunity to respond to the Discussion Paper. Should you have any further enquiries regarding this submission, please call Stefanie Macri, Regulatory Manager on 03 9976 5604.

Yours sincerely



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