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6 June 2023

Mr Patrick Duffy
Manager, Regulatory Transformation & Policy
Australian Energy Regulator
Level 24 32 Turbot Street Brisbane Qld 4000

Submitted electronically

Dear Patrick,

Re: Consultation Notice on the Endeavour Energy Trial Waiver Application

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator (the AER's) Consultation Notice on the Endeavour Energy trial waiver application under the Energy Innovation Toolkit (the consultation notice).

While Red and Lumo support innovation in the energy market we have reviewed the information provided and would like to confirm that we are not supportive of the waiver being granted for this application

The regulatory sandbox and the energy innovation toolkit were designed by the AER to support "innovative business models and technologies that can be tested in a real-world environment" and where these trials could not be conducted under the existing regulatory framework. However, we are concerned as allowing the distribution networks to install smart meters does not on face value appear to be a truly innovative solution and its implementation could therefore not be in the spirit or design of the sandboxing framework and would pose a risk to the existing competitive market.

Furthermore, we are concerned that this waiver is only able to proceed because the networks will receive significant incentive payments under the AER's Demand management Incentive Scheme (DMIS) to offset the cost of meter replacements. Under the DMIS, the AER allows incentive payments of up to 50 per cent of expected costs on efficient demand management projects.

It would appear therefore that the networks are using a loophole in the DMIS through the regulatory sandboxing framework to enter into and potentially undermine the competitive market

Red and Lumo sought clarification from the AER and the proponent (Endeavour Energy) on the substance to this waiver on areas including:

- The waiver claims the sites require a meter exchange to support controlled load management however there does not appear to be any evidence on why this functionality is not already handled by the existing basic meters. If smart meters are required to be installed, why is this not able to be done through the existing competitive market?
- Intellihub has been selected as the metering provider however the application did not demonstrate why this metering provider was selected above other metering providers and how they provided the most cost effective option to select?
- As the waiver must meet a cost benefit obligation whether these meters will be collectively rolled into the RAB with Endeavour recovering a return on their investment. Or, whether there would be an opex allowance for Endeavour which would allow them to go out to the market and get the competitive sector to supply the meters?

Despite receiving some responses to these questions posed, Red and Lumo remain strongly unconvinced on the justification for the waiver and oppose waiver being granted. We furthermore strongly oppose the use of the regulatory sandboxing framework in this way.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in New South Wales, Queensland, South Australia, Victoria and in the ACT to over 1.2 million customers.

Red and Lumo thank the AER for the opportunity to comment on the draft report. Should you wish to discuss or have any further enquiries regarding this submission, please call [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to read "G. Hargreaves".

Geoff Hargreaves
Manager - Regulatory Affairs
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd