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9 June 2017

Essential Services Commission  
GPO Box 2605  
ADELAIDE SA 5001

Submitted via email to: [rees@escosa.sa.gov.au](mailto:rees@escosa.sa.gov.au)

Dear Sir/Madam,

## **Re: Review of the Retailer Energy Efficiency Scheme Code**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Essential Services Commission of South Australia (the Commission) review of the Retailer Energy Efficiency Scheme (REES) Code.

The Commission is conducting a review of its REES Code to identify improvements to support the administration role and compliance framework. As such, the key role of this review is to ensure that any amendments to the Scheme are reflected in the Code.

We consider that compliance with the REES Code creates an unnecessary regulatory burden on energy retailers which are passed onto South Australian consumers. Therefore our response focuses on reducing these costs and creating a more efficient scheme through the adoption of approaches from other jurisdictions.

Red and Lumo we see significant benefits in moving towards a scheme that mirrors the other schemes in other jurisdictions that is a tradable certificate scheme.

The broad range of benefits that we see in transitioning to a certificate type scheme would include:

- broadening the range of services that providers that are available to aid retailers to comply with REES. Retailers are required to manage multiple service providers to comply with their REES obligations they are less likely to move between service providers. The complexities of trying to manage contracts between retailers and service partners make switching between service providers resource-intensive. The inevitable result of this is that the existing arrangements act as a barrier to competition to the range of service providers available to retailers.
- increasing price transparency for services provided, which will reduce the costs of compliance. We expect that a certificate based scheme will benefit consumers through a consistent, transparent price paid for by energy retailers.
- The current arrangements place the responsibility of compliance and the delivery of activities for retailers to meet liabilities are inefficient. The arrangements obligate retailers to establish and closely manage detailed compliance processes and controls, for the service providers that they engage.

- Retailers that are obligated to place controls around processes that are put in place to engage service providers in order to comply with the REES is difficult, especially when they are not directly involved in the activity. This is especially difficult given the range of services that retailers are required to procure to comply with the REES, such as installer training.

As such, we would encourage the Commission to adopt a certificate type scheme consistent to those that have been adopted in other jurisdictions. This would reduce the compliance burden, deliver more efficient outcomes and ensure the least amount of costs passed onto South Australian consumers.

### **About Red and Lumo**

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.

We look forward to working with the Commission in the future to discuss our positions further as part of its consultation process. Should you have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 03 9976 5701.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping 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**