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16 July 2021

Mr Adam Wilson
CEO
Essential Services Commission of South Australia
Level 1, 151 Pirie Street
Adelaide SA 5000

Submitted via email

Dear Mr Wilson,

Re: ESCOSA Retailer Energy Productivity Scheme: Reporting requirements consultation

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Essential Services Commission of South Australia (the Commission) on the consultation on the Retailer Energy Productivity Scheme (REPS): Reporting requirements (the consultation paper).

Red and Lumo support changes to the reporting obligations by the Commission which reduce unnecessary administrative burdens on energy retailers. However, we strongly oppose reporting requirements that obligate retailers to provide the Commission commercially sensitive information without a clear justification.

Removal of annual reporting requirements to determine targets

Red and Lumo welcome the decision by the Commission to use data provided by SA Power Networks, Australian Gas Networks and the Australian Energy Market Operator (AEMO) to determine the retailers obligations under the REPS. This change will not only assist in reducing administrative costs for retailers but allow them to better focus on delivering the REPS scheme.

Selection of energy activity providers

Red and Lumo strongly oppose the proposed requirement that each retailer “should report on the process by which energy productivity activity providers are selected.”¹ Retailers are competitive businesses with different procurement processes and this obligation risks forcing

¹ Essential Services Commission of South Australia, Retailer Energy Productivity Scheme: Reporting Requirements, Consultation, June 2021, p2

retailers to provide commercially sensitive information to the Commission. The purpose of this requirement is unclear and it is equally unclear how the Commission will use the information.

Supplying REPS services is a competitive market, as such it should not be an obligation on a purchaser of an activity (a retailer) to demonstrate that the market is operating effectively and fair for both producers or suppliers of a service. If a retailer is electing to use one supplier over another then that is a business decision. Further, if they are paying more for this service than another retailer then this will impact their bottom line. This is the basis of a competitive market and it is up to the providers themselves to demonstrate why their offering is of value to the retailers not for the retailers to demonstrate why they did not choose to do business with these providers. A retailer may select a provider simply because they provide a superior service or make the process of supplying the activities simpler allowing them to focus on their core business activity of supplying energy to customers. If a retailer pays more for goods or services than another retailer, this may be based on a variety of factors and/or commercial decisions which may or may not be quantifiable.

Aside from the difficulty in quantifying the reasons for these business decisions it remains unclear what the intent of this reporting is for the Commission. If retailers report the reason for selecting a provider over another how will the Commission act in response to this? Is the Commission seeking to mandate how retailers select providers or alternatively will retailers be forced to select different providers based on the data they provide?

The costs of each type of activity being delivered under REPS

Red and Lumo are concerned that the Commission has also not clearly identified or justified its reasoning for requesting this commercially sensitive data from retailers. Furthermore, the Commission again, has not articulated what actions it will undertake in response to the data provided.

In fact the SA Government review into the REES scheme in 2019 acknowledged “the current approach of obligating retailers to undertake the scheme and recover the costs from their customers as part of their tariffs was adopted, and the scheme rules were designed to encourage retailers to meet their targets as cost effectively as possible.”² Furthermore stakeholders were advised that the Department of Energy and Mining (DEM) commissioned an independent inquiry to “complete a cost-benefit analysis of the REES to date – utilising, where appropriate, existing studies/reports.”³ Following these reviews and subsequent consultation the

² Department of Energy and Mining, Review into the South Australian Retailer Energy Efficiency Scheme, REES Issues Paper April 2019, p13

³ Ibid, p16

South Australian Government proposed the establishment of the REPS scheme. Red and Lumo question what was the outcome or purpose of these reviews which has led the Commission to require this specific costing data from retailers in its management of REPS?

Red and Lumo also question how the Commission would use this commercially sensitive information in response to concerns about the costs of the scheme for consumers. How will the Commission measure the data from retailers, what will be defined as expensive? What will be defined as an appropriate cost for retailers? Will the Commission seek to mandate or regulate the costs for retailers and potentially undermine the competitive market?

While Red and Lumo agree that there are concerns around the costs of the scheme which is inevitably borne by South Australian consumers, the Commission and the Government should have been aware of the overall costs before implementing the scheme.

There remains no clear justification for the level of data that has been requested; and the Commission must clearly articulate what they will do with the data provided and what will be potential changes to the scheme based on this data? If the SA Government and the Commission believe that the costs have begun to outweigh the benefits of the scheme then we would support the ending of the scheme or a moving to a certificate based scheme but this information should have already been assessed in the previous reviews.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales and Queensland, and in the ACT to over 1 million customers.

We thank the Commission for the opportunity to respond to the consultation paper. Should the Commission wish to discuss or have any enquiries regarding this submission, please contact Stephen White, Regulatory Manager on 0404 819 143.

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 SA Pty Ltd