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19 October 2020

Mr Kevin Ly  
Group Manager Regulation  
Australian Energy Market Operator  
Level 2, 20 Bond Street  
SYDNEY NSW 2001

Submitted via email

Dear Mr Ly,

### **Re: Gas Fee Structures consultation**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Operator (AEMO) on the consultation paper on the structure of participant fees from 1 July 2021 (the consultation paper).

Consumers must be at the centre of all of AEMO's decision making as fees levied by AEMO are directly accounted for in retail pricing and ultimately borne by consumers. Consistent with all participants in the gas market, AEMO must strive to ensure that all fees charged are efficient with a constant focus on ensuring that the lowest costs are passed on to consumers.

### **Cost recovery of retail related fees**

In the next fee period, AEMO should retain the current full retail competition (FRC) fee approach as a per MIRN charge. Red and Lumo consider that this approach is the most appropriate for all market participants and consumers considering the wide variability of gas usage by consumers across the NEM.

Unlike electricity, some consumers are less reliant on gas, with major variability in consumption patterns across different states. Consumers in Victoria and the ACT for example are far more dependent on the supply for gas (particularly for heating and hot water) at their properties than consumers in Queensland. As these charges invariably become a pass through from retailers to consumers a move to a per GJ charge from a MIRN charge would therefore unfairly disadvantage consumers in states that are more dependent on the supply of gas to their properties.

AEMO should recover their costs that are built into the cost of gas paid for by consumers to those parties with a direct relationship with the consumer. An unintended consequence of including transmission and distribution operators who do not have a direct relationship with the end consumer, will simply mean that they will bundle these in fees and any associated administration charges to

retailers that manage consumer relationships. This will inevitably see the costs still passed onto consumers but will likely see the costs increase as they are passed through more participants. This does not meet the efficiency aspect of the National Gas Objective.

### **About Red and Lumo**

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

Red and Lumo thank AEMO for the opportunity to respond to this consultation. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call 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 (Australia) Pty Ltd**