



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumenergy.com.au



25 May 2021

Ms Kate Symons
Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Dear Ms Symons,

Re: Variation to the current Victorian Default Offer determination

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Essential Services Commission's (the Commission's) consultation on a proposed variation to the Victorian Default Offer (VDO) that took effect on 1 January 2021. We support the Commission's proposal to adjust only the network component of the VDO, noting its significance as a cost item for retailers. In particular as it is a cost that retailers cannot avoid. We strongly encourage the Commission to align the VDO and Victorian network tariff determination dates to ensure this intra-period adjustment is not required in the future.

The Commission's proposal, along with the decision to leave other items in the cost stack at their current levels, reassures retailers that they can recover efficient costs under the VDO framework in 2021 and in future years. Any adjustment to these other items after 6 months would have gone against the Commission's previous statements and approach to setting the VDO, undermining retailers' confidence and therefore competition.

The timing of the readjustment (1 August) is appropriate and should give retailers sufficient time to make the necessary system and process changes. However, the Commission should be agile and willing to delay the adjustment if the Australian Energy Regulator fails to approve annual network tariffs in a timely manner.

Red and Lumo confirm that at this stage we are comfortable with the Commission taking the approach to setting the two part tariff as outlined in the consultation paper, i.e. setting specific rates for each of the time windows prescribed in the AMI Tariff Order and Victorian network Tariff Structure Statements. We are also comfortable with the proposal to calculate a maximum allowable annual bill based on this structure, which would then apply to all standing offers not determined by the Commission.

Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Geoff Hargreaves, Regulatory Manager on 0438 671 750.

Yours sincerely

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd