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17 July 2020

Ms Rebecca Knights
Director, Energy Policy & Projects
Department for Mining and Energy
Level 8, 11 Waymouth St
Adelaide SA 5000

Submitted electronically: DEM.REES@sa.gov.au

Dear Ms Knights,

Re: Consultation Paper on the Proposed Retailer Energy Productivity Scheme (REPS) Regulatory Framework and Activities

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to the South Australian Government (the SA Government) on the consultation paper on the proposed Retailer Energy Productivity Scheme (REPS) regulatory framework and activities (the consultation paper). On the basis that the SA Government is convinced that the benefits to consumers are outweighed by the costs of the new scheme, Red and Lumo support its introduction. We are concerned with the implementation timeframe and consider a transition period where the existing and new scheme coexist should be implemented, or the start date be delayed to ensure adequate time for retailers and service providers to redirect systems and process to the new activities proposed.

REPS credit transfers and carryovers

Red and Lumo support the proposal to manage REPS credits and carryovers as outlined in the consultation paper. The proposal from the SA Government to allow retailers to transfer credits between them and enter into agreements with each other for the supply of REPS credits will provide a range of benefits not only to retailers but also consumers. The flexibility of this approach will potentially allow retailers the opportunity to source the most efficient option to meet their obligations (either through self fulfillment, trading credits or contracting to other

retailers) while maintaining the integrity of the scheme by ensuring that “a retailer remains liable for any offence or penalty arising from a failure to meet its REPS targets.”¹

Implementation timeframe

The SA Government has proposed that REPS and its energy productivity activities will come into effect from 1 January 2021. This only allows retailers and service providers 4 months from the release of the final regulations to the implementation of the new program. This timeframe creates a risk that retailers will fail to meet their targets if they are unable to reposition their activities.

Red and Lumo propose that the SA Government maintain the existing REES scheme for 12 months and delay the full implementation of the new REPS program to 1 January 2022 allowing retailers adequate time to prepare. During this delayed timeframe, before a full commencement the SA Government can adopt a 12 month transition period for the new REPS. This transition period would allow retailers to complete existing activities (currently approved under REES) to meet their obligations alongside the new activities outlined in the consultation paper. The current calculation and value of existing REES activities would remain in place for this 12 month period. This transition would allow retailers appropriate time to prepare for the new REPS activities with proper infrastructure and processes in place while still ensuring a continuity of delivery whilst maintaining the benefits for consumers.

Shortfall penalties

Red and Lumo are satisfied with the compliance regime proposed in the consultation paper. The combination of the shortfall penalties combined with the carry over of over compliance and the 10% under compliance to the following year provides adequate compliance incentives while maintaining flexibility for retailers to confidently manage their obligations. While we support this proposal as it is drafted, if the SA Government chooses to not adopt the transitional or delayed start outlined we would strongly encourage a more flexible approach to compliance penalties.

The short timeframe from the final decision to implementation on 1 January 2021 puts retailers and service providers at a higher risk of non-compliance due to a potential shortage of available activities due to COVID-19 and the time required for service providers to prepare for delivering the new activities proposed. We strongly recommend that the SA Government reduce its shortfall penalties or increase its over and under compliance rate for the first 12 months of operating the new scheme, if there is no concurrent scheme (i.e. REES) in year 1.

¹ Government of South Australia, Department for Energy and Mining, Consultation on the Proposed Retailer Energy Productivity Scheme (REPS) Regulatory Framework and Activities, June 2020, p14

Proposed REPS activities

Red and Lumo support the inclusion of each of the proposed REPS activities outlined in the consultation paper that have been developed specifically for REPS. Each of them potentially provide a range of benefits for consumers as well as the wider energy market.

One of the new activities incentivises retailers and their customers to take up more cost-reflective network tariffs. We strongly encourage the SA Government to draft the final regulation that is future proof and encompasses a broad range of non-flat tariffs, rather than codifying specific tariff types (such as the solar sponge tariff which may have a different name next year). This meets the goal of REPS while ensuring consumers continue to have choice on the best cost-reflective tariff option that suits their needs.

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 in the ACT to over 1 million customers.

Red and Lumo thank the SA Government for the opportunity to respond to its consultation paper. 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 be "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